



New York State

2006-07 Enacted Budget Report

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INTRODUCTION

This Financial Plan sets forth the State's budgetary projections for the 2006-07 through 2008-09 fiscal years, based on the Enacted Budget for the 2006-07 fiscal year and revisions to the current-services forecast for receipts and disbursements through the date of this Financial Plan. The Financial Plan is intended to assist the Legislature and public in understanding the current operating forecast and the impact of the Enacted Budget on State finances over a multi-year period.

The Financial Plan is organized in six general sections:

- **Synopsis:** Highlights of the Budget enactment process including vetoes and overrides, as well as a review of the impact of the 2006-07 budget on key fiscal performance measures, including projected operating results, reserve levels, spending growth, and the size of the budget gaps projected for 2007-08 and 2008-09.
- **Economic Forecast:** An in-depth analysis of the National and State economies and the associated risks.
- **2006-07 Financial Plan:** A summary of the Division of the Budget's (DOB's) revised economic forecast and in-depth explanations of the 2006-07 receipts and disbursements projections by major tax category and function.
- **General Fund Out-year Projections:** Description of the General Fund Financial Plan projections for 2007-08 and 2008-09, including current-services estimates and the projected impact of the 2006-07 Enacted Budget.
- **Miscellaneous Reporting:** A range of Financial Plan information, including an analysis of potential risks to DOB's current estimates, and summaries of (a) the 2006-07 Financial Plan by fund type, (b) General Fund cash flow projections for 2006-07, (c) Financial Plan projections prepared in accordance with Generally Accepted Accounting Principles (GAAP), and (d) receipts and disbursements estimates under the Health Care Reform Act (HCRA).
- **Financial Plan Tables:** The General Fund, State Funds, and All Governmental Funds cash-basis Financial Plans, the monthly General Fund cash flow, the General Fund Financial Plan on a GAAP basis, the quarterly HCRA cash flow, quarterly other fund type cash flow projections, and General Fund, State Funds, and All Governmental Funds spending and workforce information presented by agency or function.

The 2006-07 Enacted Budget is available on-line at www.budget.state.ny.us or by contacting the Division of the Budget, State Capitol, Albany, NY 12224, (518) 473-8705.

SYNOPSIS OF 2006-07 ENACTED BUDGET

The State finalized the Enacted Budget for 2006-07 on April 26, 2006. The General Fund is balanced on a cash basis, with annual spending projected to grow by over 9 percent, reflecting substantial increases in school aid, health care, and higher education. All Governmental Funds¹ spending, which includes Federal aid, is estimated at \$112.5 billion, an increase of 7.8 percent from 2005-06. State tax receipts are expected to return to a historical growth rate of roughly 5 percent over 2005-06 levels, following two consecutive years in which growth exceeded 10 percent for the first time ever. State debt outstanding is projected to total \$50.7 billion in 2006-07, with debt service equal to roughly 4.2 percent of All Funds receipts.

2006-07 Enacted Budget at a Glance: Impact on Key Measures (dollars in billions)			
	2005-06 Results	2006-07 Executive	2006-07 Enacted
Disbursements			
General Fund	46.5	49.7	50.8
State Funds	69.7	75.0	77.1
All Funds	104.3	110.6	112.5
Outyear Gap Forecast			
2007-08	n/ap	1.9	3.7
2008-09	n/ap	3.9	4.3
Key Reserves			
Spending Stabilization Reserve	2.0	2.1	1.8
Rainy Day Reserve	0.9	0.9	0.9
Debt			
Debt Service as % All Funds	4.0%	4.2%	4.2%
Debt Outstanding	46.9	49.1	50.7

Entering the 2006-07 budget cycle, the State estimated a budget imbalance of \$751 million in 2006-07 and gaps in the range of \$3 billion to \$4 billion in future years. The Governor's Executive Budget proposal, if enacted in its entirety, would have eliminated the 2006-07 imbalance and left gaps of \$1.9 billion in 2007-08 and \$3.9 billion in 2008-09. The Enacted Budget Financial Plan, which incorporates both the Legislature's modifications to the Executive proposal and the impact of gubernatorial vetoes and subsequent legislative overrides (through the date of this Financial Plan), is also balanced in 2006-07, but projects an estimated gap of \$3.7 billion in 2007-08 and \$4.3 billion in 2008-09.

¹ Hereafter "All Funds." Comprised of the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds.

2006-07 Enacted Budget

General Fund Operating Forecast: Initial Budget to Enactment (dollars in billions)			
	2006-07	2007-08	2008-09
Initial Surplus/(Gap)	(0.8)	(3.2)	(3.9)
Savings Actions	1.7	0.9	1.2
Spending Additions	(1.5)	(2.2)	(2.5)
Tax Policy Changes	(0.9)	(0.9)	(0.9)
Reestimates/Other	1.2	0.8	0.9
Use of 2006 Surplus/Stabilization Reserve	0.3	0.9	0.9
Enacted Surplus/(Gap)	0.0	(3.7)	(4.3)

The Enacted Budget includes a number of substantive fiscal and policy actions. These include:

- An increase of nearly \$1.3 billion in school aid (school year basis).
- A \$1.1 billion All Funds spending increase in Medicaid including the completion of the takeover by the State of Family Health Plus (FHP) costs from counties and State (rather than county) payment of all Medicaid costs in excess of 3.25 percent growth.
- A new statewide school construction grant program totaling \$2.6 billion, with \$1.8 billion for New York City, \$400 million for other high-need districts, and \$400 million for all other districts.
- Authorization for New York City to issue \$9.4 billion in bonds for school construction through the Transitional Finance Authority, which will be supported in part by state building aid payments.
- Elimination of the sales tax on clothing purchases under \$110, which is expected to lower receipts by roughly \$600 million annually.
- A limitation on duplicative prescription drug coverage for persons eligible for both Medicare Part D and Medicaid, which is estimated to avoid roughly \$220 million in costs (2006-07 only).
- A new Medicaid Inspector General's Office (created administratively) to identify, investigate, and prosecute Medicaid fraud.
- A \$1.8 billion spending stabilization reserve which is planned to lower the 2007-08 and 2008-09 budget gaps in equal amounts.
- A \$250 million deposit to the State's Debt Reduction Reserve that will be used to eliminate high-cost debt.

The balance of this Enacted Budget Financial Plan describes the information presented in this synopsis in more detail.

2006-07 BUDGET ENACTMENT

INITIAL LEGISLATIVE ACTION

The Legislature adopted a budget for 2006-07 by April 1, 2006, the start of the State's fiscal year. As in past years, the Legislature enacted the entire debt service bill in mid-March. After reaching general agreement with the Executive in early March that \$750 million in additional "consensus" revenues were available to finance legislative additions to the Governor's Executive Budget, the Senate and Assembly negotiated a budget agreement that culminated with the passage of final budget bills on March 31, 2006.

Although the Legislature adopted the budget on time, the process was, and continues to be, marked by substantive policy disagreements between the Governor and Legislature. During the Legislature's deliberations, the Governor expressed concerns with the overall levels of spending under consideration for 2006-07, the diminution of reserves, the potentially adverse impact of the budget on structural balance, and the absence of substantive reforms to Medicaid and other programs.

On March 31, 2006, DOB issued its initial fiscal assessment of the legislative budget.² DOB estimated the budget for 2006-07 would be balanced, but leave potential budget gaps of roughly \$6 billion in both 2007-08 and 2008-09, more than double the level projected if the Executive Budget had been adopted in its entirety. Under the legislative budget, the outyear gaps increased in large part because of the recurring value of legislative adds and because the entire 2005-06 surplus (i.e., the "spending stabilization reserve") would be needed to finance spending in 2006-07, rather than applied in equal amounts to lower the 2007-08 and 2008-09 gaps, as recommended in the Executive Budget.

GUBERNATORIAL VETOES AND LEGISLATIVE OVERRIDES

In mid-April, the Governor completed his review of the 2006-07 budget bills passed by the Legislature, vetoing 207 individual items of appropriation and the entire "revenue" bill (companion legislation that authorized numerous tax law changes). The Governor said the vetoes were done to (1) maintain a properly balanced budget in 2006-07, provide for adequate reserves, and ensure manageable outyear budget gaps and (2) remedy unconstitutional revisions made by the Legislature to the Executive Budget. DOB estimates that the vetoes, had they been sustained in their entirety, would have provided recurring General Fund savings of \$2.1 billion, resulting in a balanced budget in 2006-07 without use of the 2005-06 surplus, and budget gaps of \$2.4 billion in 2007-08 and \$3.0 billion in 2008-09.

² The DOB report, entitled "Review of the 2006-07 Legislative Budget Agreement" (March 31, 2006) is available at www.budget.state.ny.us.

2006-07 Enacted Budget

The Legislature has constitutionally overridden 165 of the Governor's vetoes through the date of this Financial Plan, generating estimated General Fund costs of roughly \$600 million in 2006-07 growing to over \$1.2 billion in 2007-08. The most significant items restored by the Legislature included: additional operating aid increases for public universities, increased spending for the Tuition Assistance Program (TAP), grants in aid to local school districts and other education-related entities subject to allocation by the Legislature, and discretionary "member item" spending for grants and projects initiated by individual legislators.

NON-IMPLEMENTATION OF UNCONSTITUTIONAL ITEMS

In acting on the legislative budget, the Governor vetoed 39 items worth \$1.5 billion in the General Fund (\$2.2 billion All Funds) on constitutional grounds. The Legislature subsequently attempted to override 27 of those vetoes. However, the courts have held that an Executive's disapproval of an item on the basis of its unconstitutionality is not subject to override by the Legislature.³ Even a two-thirds vote of the members of both houses cannot transform an unconstitutional budgetary item into a law that can be validly executed by State officials.⁴ Accordingly, the Enacted Budget Financial Plan estimates set forth herein incorporate the savings generated by the Governor's vetoes of such items, the most significant of which concerned Medicaid and a new tax rebate program. The General Fund value of the unconstitutional items is \$1.5 billion in 2006-07, and roughly \$1.1 billion in each of the outyears. There can be no assurance that the Legislature or other parties will not challenge the Executive's constitutional authority concerning one or more of such items. A complete list of the unconstitutional items is provided later in this Financial Plan.

RECAP OF THREE-YEAR GENERAL FUND OPERATING FORECAST: INITIAL BUDGET THROUGH ENACTMENT

Since the 2006-07 Executive Budget forecast, the operating forecast for 2006-07 has remained in balance from the combined impact of enacted cost containment (achieved largely through vetoes), spending additions, new resources, and the use of reserves. At the same time, the gap between spending and revenues for 2007-08 has widened, as the recurring value of legislative additions grows and the use of a portion of the spending stabilization funds in 2006-07 instead of the outyears creates a "two-for-one" negative impact. The following table summarizes the evolution of the General Fund operating forecast for 2006-07 through 2008-09 from the initial budget forecast through enactment.

³ See *Silver v. Pataki*, 4 N.Y. 3d 75 (2004); 1982 Op. Att'y General 21.

⁴ See *City Council of N.Y. v. Bloomberg*, 2006 N.Y. LEXIS 149 (2006).

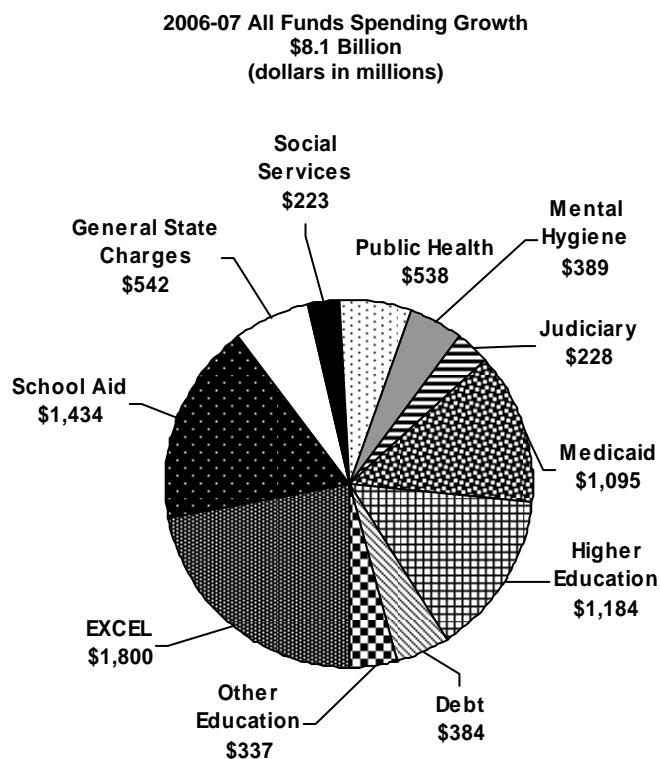
2006-07 Enacted Budget

Changes to General Fund Operating Forecast for 2006-07 Through 2008-09 (dollars in millions)			
	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Initial Budget Surplus/(Gap) Estimate (Before Actions)	<u>(751)</u>	<u>(3,155)</u>	<u>(3,895)</u>
Savings Actions	2,251	3,291	3,492
Spending Additions	(406)	(898)	(1,269)
Tax Policy Changes	(844)	(2,210)	(3,268)
Debt Reduction Reserve	(250)	0	0
Spending Stabilization Reserve	0	1,053	1,053
Executive Budget Surplus/(Gap) Estimate	<u>0</u>	<u>(1,919)</u>	<u>(3,887)</u>
Legislative Additions	(3,135)	(3,959)	(2,448)
Available Resources	1,086	885	985
Use Stabilization Reserve to Balance 2006-07	2,049	(1,024)	(1,025)
Budget Before Veto Process	<u>0</u>	<u>(6,017)</u>	<u>(6,375)</u>
Total Gubernatorial Vetoes:	2,070	2,250	2,148
<i>Constitutional Vetoes (not subject to override)</i>	1,489	1,076	1,045
<i>Other Vetoes</i>	581	1,174	1,103
Reestimates	174	347	241
Collective Bargaining	(115)	(78)	(78)
Restore Entire Reserve for Use in Outyears	(2,129)	1,065	1,064
Budget After Gubernatorial Vetoes	<u>0</u>	<u>(2,433)</u>	<u>(3,000)</u>
Legislative Veto Overrides (Constitutional)	(579)	(1,172)	(1,102)
Use of Stabilization Reserve/Other Changes	579	(72)	(196)
2006-07 Enacted Budget Surplus/(Gap) Estimate	0	(3,677)	(4,298)

2006-07 Enacted Budget

2006-07 ENACTED BUDGET SPENDING

General Fund spending, including transfers to other funds, is projected to total \$50.8 billion in 2006-07, an increase of \$4.3 billion (9.4 percent) over 2005-06 results. State Funds spending, which includes both the General Fund and spending from other funds supported by State revenues, is projected to increase by \$7.4 billion (10.6 percent) and total \$77.1 billion in 2006-07. All Funds spending, the broadest measure of State spending that includes Federal aid, is projected to total \$112.5 billion in 2006-07, an increase of \$8.1 billion (7.8 percent).



Enacted Budget Spending Estimates				
(millions of dollars)				
	2005-06 Results*	2006-07 Enacted	Annual \$ Change	Annual % Change
General Fund	46,495	50,843	4,348	9.4%
State Funds	69,723	77,100	7,377	10.6%
All Funds	104,341	112,463	8,122	7.8%

*Unaudited

The major sources of annual spending from 2005-06 to 2006-07 are summarized in the following table and briefly described below. The reasons for the annual growth in spending for the State's major programs and activities are described in detail in the section entitled "2006-07 Financial Plan." The Financial Plan impact of Temporary Assistance for Needy Families (TANF), Environmental Protection Fund (EPF), and Federal anti-drug funding has also been incorporated.

Size of the Budget			
2006-07 Enacted Budget Spending Estimates - Sources of Annual Change			
(millions of dollars)			
	----- <i>DOB Values</i> -----		
	<u>General Fund</u>	<u>State Funds</u>	<u>All Funds</u>
2005-06 Results	46,495	69,723	104,341
Medicaid	503	976	1,095
Other Public Health (including HCRA)	116	611	538
School Aid	1,035	1,418	1,434
School Construction (EXCEL)	0	1,800	1,800
Other Education Aid	253	285	337
School Tax Relief	0	155	155
Higher Education	716	1,171	1,184
Social Services	140	152	223
Mental Hygiene	351	424	389
Transportation	(88)	180	308
Municipal Aid	158	158	158
Judiciary	191	225	228
General State Charges	438	505	542
Debt Service	39	384	384
All Other	496	(1,067)	(653)
2006-07 Enacted Budget Spending	50,843	77,100	112,463
Annual \$ Change	4,348	7,377	8,122
Annual % Change	9.4%	10.6%	7.8%

Medicaid: Prior to cost containment efforts, General Fund spending was projected to increase by \$1.9 billion in 2006-07, driven by the State cap on local Medicaid expenditures, the State takeover of FHP, and steady increases in utilization, drug prices, medical inflation, and the total number of recipients. The Enacted Budget includes roughly \$1.4 billion in Medicaid savings and cost avoidance (versus the current services forecast), including limiting the “wrap-around” prescription drug benefit for people eligible for both Medicare Part D and Medicaid for one year and adjustments to hospital, nursing home, and pharmacy payment rates which expire at the end of 2006-07; stepped-up anti-fraud activities; and a range of other cost-saving measures. Much of the savings in Medicaid stems from the non-implementation of unconstitutional legislative restorations and new program adds vetoed by the Governor.

Other Public Health (HCRA): Increases are primarily the result of higher HCRA current services spending, namely for Graduate Medical Education, Healthy New York, AIDS Drug Assistance Program and cancer services, as well as Enacted Budget targeted investments for anti-tobacco programs, Physicians Excess Medical Malpractice, and stockpiling medications and supplies for Avian Flu. Other increases are due to accelerated HEAL NY capital spending and growth in EPIC as a result of the rising cost of prescription drugs and increasing enrollment.

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School Aid: The Budget authorizes an increase of nearly \$1.3 billion in school aid on a school year basis. Annual increases are provided for most categories of aid, including Sound Basic Education Aid (\$375 million), Excess Cost Aid (\$125 million), Transportation Aid (\$99 million), Building Aid (\$92 million), Flex Aid (\$85 million), and Tax Limitation Aid (\$77 million), as well as other categorical and formula-based programs.

School Construction (EXCEL): During fiscal year 2006-07, the State expects to finance \$1.8 billion of the \$2.6 billion EXCEL program. The program provides \$1.8 billion for school construction financing to New York City, \$400 million to other "high needs" school districts, and \$400 million to all other school districts based on a per-pupil formula. Consistent with current accounting treatment, this spending is reflected only in the State's GAAP accounting results, not on a budgetary basis of reporting. However, for transparency purposes, the Financial Plan reflects this and other capital spending for programs financed in the first instance by bond proceeds in the specific programmatic area of responsibility. The overall Financial Plan is subsequently adjusted to account for this spending only in the GAAP, rather than the cash-basis, results.

Other Education Programs: Spending is driven by enrollment and cost increases in special education programs; additional funding for legislatively-directed education-related programs; aid enhancements for libraries; public broadcasting; vocational services; math and science high schools; and increases for agency operations.

School Tax Relief (STAR): Annual growth is the product of rising property valuations, number of applicants, and an enhancement in the benefit for senior citizens.

Higher Education: The Budget authorizes an expansion of the State University of New York (SUNY) and the City University of New York (CUNY) capital programs, and operating increases for senior and community colleges. Eligibility limits on TAP partially offset the growth in aid to public universities.

Social Services: Caseloads continue to decline, but program enhancements, particularly in child welfare and employment support, drive spending growth.

Mental Hygiene: Additional funding is provided for community-based initiatives, as well as capital improvements and operating inflationary costs at State facilities and programs. Savings are generated by maximizing Federal aid, audit recoveries, overtime controls, and efficiency savings for certain local programs.

Transportation: Reflects the acceleration of \$245 million in State Funds transit aid from 2006-07 to 2005-06, and additional capital spending pursuant to the second year of the Department of Transportation (DOT) five-year Capital Plan.

Municipal Aid: The Budget includes second year increases in funding for local governments under the Aid and Incentives for Municipalities program, as well as additional unrestricted aid.

Judiciary: Reflects increased operational costs including proposed salary increases, consistent with the Judiciary's budget request.

General State Charges: Premiums for the State employee health plan are projected to increase by 8.5 percent in 2006-07. Spending growth is also attributable to increases in the State's pension contribution rate applied to higher salary costs.

Debt Service: Planned increases in bond-financed capital spending and reduced refunding savings compared to 2005-06 drive most of the increase in debt service.

EXECUTIVE BUDGET VS. ENACTED BUDGET “SCORECARD”

The Enacted Budget includes \$1.7 billion of the \$2 billion in 2006-07 actions to restrain spending growth recommended in the Executive Budget. Medicaid cost containment, including roughly \$600 million in savings from the Governor’s vetoes of unconstitutional additions, totals \$1.3 billion, or roughly 80 percent of the total. Outside of Medicaid, savings are expected from strengthened eligibility requirements for the State’s TAP, maximization of Federal aid related to Mental Hygiene programs, and efficiencies in State agencies. However, the outyear savings in the Enacted Budget are substantially below that proposed in the Executive Budget because the cost containment implemented this year through gubernatorial vetoes of unconstitutional actions will expire.

The Enacted Budget also includes substantially higher spending for school aid, higher education, and discretionary “member items”. The level of statutory tax reductions is modestly higher than in the Executive Budget, reflecting a permanent sales tax exemption on clothing purchases under \$110 authorized by the Legislature, offset by the rejection of a number of targeted tax reductions advanced in the Executive Budget. The table following compares the actions approved in the Enacted Budget against those proposed in the Executive Budget.

2006-07 Enacted Budget

General Fund Gap Closing Actions (millions of dollars)				
	2006-07 Executive Proposal	2006-07 Enacted Budget	2007-08 Executive Proposal	2007-08 Enacted Budget
Spending Restraint	1,983	1,675	3,136	941
Medicaid	1,277	1,288	2,322	500
<i>Medicare Part D</i>	246	338	405	234
<i>Anti-Fraud Initiatives</i>	151	151	240	240
<i>Hospital Cost Containment</i>	163	163	217	0
<i>Nursing Home Cost Containment</i>	233	200	340	84
<i>Nursing Home Assessments @ 6 percent</i>	0	0	258	0
<i>Pharmacy Cost Containment</i>	172	172	213	77
<i>Managed Care Cost Containment</i>	29	29	52	52
<i>Long Term Care Cost Containment</i>	41	41	105	0
<i>Other Financing</i>	176	128	403	(272)
<i>All Other Medicaid Savings</i>	66	66	89	85
Public Universities: Flexible Cost Reductions	111	0	131	0
Tuition Assistance: Performance/Eligibility Incentives	136	49	201	74
Mental Hygiene: Patient Income Account; Audit Recoveries	180	187	196	196
Welfare: "Full-family" Sanctions; Work Participation Incentives	39	11	102	46
All Other	240	140	184	125
Fines/Fees/Other	94	0	155	0
Non-Recurring Resources	227	259	0	0
Debt Reduction	(250)	(250)	0	0
Spending Additions/Member Items	(406)	(1,462)	(834)	(2,215)
School Aid (Executive School Aid Increase as a Base adjustment)	(11)	(622)	(69)	(900)
Local Government/General Government	(86)	(149)	(155)	(164)
Medicaid/Health	(79)	(129)	(199)	(240)
Mental Hygiene	(60)	(91)	(148)	(176)
Public Protection	(58)	(50)	(55)	(72)
Agriculture/Housing/Environment	(43)	(89)	(41)	(81)
Human Services	(31)	(91)	(91)	(156)
Higher Education	(28)	(119)	(60)	(237)
Economic Development	(10)	(35)	(16)	(47)
Transportation	0	(12)	0	(17)
Member Item Additions	0	(75)	0	(125)
Net Tax Policy Actions	(844)	(866)	(2,210)	(863)

2006-07 Enacted Budget

The table below summarizes the changes in All Funds spending from the Executive Budget through the final Enacted Budget.

2006-07 All Funds Spending (dollars in millions)	
Executive Budget	\$110,605
Net Legislative Changes	\$4,900
Initial Legislative Budget	\$115,505
Collective Bargaining Costs	388
Vetoed (After Overrides)	(2,172)
All Other Revisions	(1,258)
Enacted Budget	\$112,463

PROJECTED 2006-07 YEAR-END BALANCES

DOB projects the State will end the 2006-07 fiscal year with a General Fund balance of \$3.3 billion. This balance is not a surplus from 2006-07 operations, but reflects \$1.0 billion in long-term undesignated reserves and \$2.3 billion previously set aside to finance existing or planned commitments.

The long-term reserves consist of \$944 million in the State's Rainy Day Reserve, which has a balance that is at the statutory maximum of 2 percent, and \$21 million in the Contingency Reserve for litigation risks. The reserves previously set aside for planned commitments include \$276 million in the Community Projects Fund to finance existing legislative and gubernatorial initiatives, \$1.8 billion in a spending stabilization reserve (the amount of the 2005-06 surplus remaining after balancing the 2006-07 budget) that is planned to be used in equal amounts to lower the projected 2007-08 and 2008-09 budget gaps, and \$250 million for debt reduction.

It is expected that the money for debt reduction will be used by the end of the fiscal year to reduce high cost debt and future debt service costs. If that happens, the General Fund closing balance in 2006-07 would be \$3.0 billion.

RISKS TO THE FINANCIAL PLAN

In any year, the Financial Plan is subject to risks that, if they were to materialize, could affect operating results. A full discussion of risks to the State Financial Plan appears in the sections entitled "Economic Forecast" and "Reserves and Risks." The most significant risks include the following:

School Finance Litigation: In 2003, the State Court of Appeals found that the State's school financing system failed to provide students in New York City with an opportunity for a "sound basic education (SBE)," in violation of the State Constitution. The State's SBE aid program that began in 2005-06 is part of an effort to comply with the State

Court of Appeals ruling. On May 8, 2006, the Court of Appeals authorized an expedited briefing schedule to hear arguments related to the State's compliance with the Court's order. Oral arguments may occur as early as September 2006.

The 2006-07 Budget includes \$700 million in SBE Aid in the 2006-07 school year, of which approximately 60 percent is for New York City (an increase of roughly \$225 million in 2006-07). Approximately 40 percent of "traditional" school aid is also provided to New York City. The State's Financial Plan projects traditional school aid increases of roughly \$500 million annually. In addition, video lottery terminal (VLT) revenues are forecast to reach \$1.0 billion in 2007-08 and \$1.5 billion by 2008-09, with the entire amount earmarked to finance SBE aid. Delays in the opening of currently authorized VLT facilities or the failure to approve proposed expansion of the number of authorized facilities may adversely affect the level of VLT revenues available to finance SBE grants.

To directly address the New York City school construction funding directed by the Court, the Budget further authorizes (1) \$1.8 billion in capital grants for New York City school construction, and (2) the City's Transitional Finance Authority to issue \$9.4 billion in bonds for school construction.

Litigation is ongoing and there is no assurance that these remedies will be sufficient to meet the Court's standards, or that other litigation will not arise related to the adequacy of the State's school financing system.

Federal Actions: At the request of the Federal government, the State discontinued intergovernmental transfer payments in 2005-06 pending Federal approval of a State Plan Amendment (SPA). The SPA was approved late in the 2005-06 fiscal year for a one-year term only and must be resubmitted annually. These payments are related to disproportionate share hospital payments to public hospitals throughout the State, including those operated by the New York City Health and Hospital Corporation, SUNY and the counties. If these payments are not approved in 2006-07 and beyond, the State's health care financing system could be adversely affected.

Medicare Part D Implementation: The State incurred costs related to the emergency financial coverage of prescription drug costs for dual-eligible individuals (i.e., eligible for both Medicare and Medicaid benefits) due to nationwide implementation issues with the Federal Medicare Part D Program. These costs totaled roughly \$120 million as of March 31, 2006. The Federal government has assured the State that it will fully reimburse these costs, but there can be no assurance that it will do so in a timely manner or at the levels identified by the State.

Labor Contracts: Existing labor contracts with all the State's major employee unions are set to expire at the end of 2006-07. The existing contracts cover a four-year period and included an \$800 lump sum payment and general salary increases of 2.5 percent in 2004-05, 2.75 percent in 2005-06 and 3.0 percent in 2006-07, as well as a recurring \$800 increase to base pay effective April 2007, at a total cost of approximately \$2.2

2006-07 Enacted Budget

billion to the General Fund and \$2.9 billion in All Funds. The current Financial Plan does not set aside any reserves for future collective bargaining agreements in 2007-08 or beyond. Each future one percent salary increase would cost roughly \$83 million annually in the General Fund and \$129 million in All Funds.

Miscellaneous Receipts: The State Financial Plan assumes approximately \$500 million annually in receipts that are the subject of ongoing negotiations between the State and counties and New York City. Actual receipts in 2005-06 were \$450 million below planned levels, which was offset by a reduction in spending for State aid to localities. There can be no assurance that comparable shortfalls will not occur in 2006-07 or in future years, or that offsetting spending reductions will occur.

GENERAL FUND OUTYEAR FORECAST

Absent policy changes, growth in spending is expected to outpace revenues over the next two years, based on DOB's economic forecast and current-services projections for the State's major programs. The DOB currently projects General Fund budget gaps of \$3.7 billion in 2007-08 and \$4.3 billion in 2008-09.

The following chart provides a "zero-based" look at the causes of the 2007-08 budget gap. It is followed by a brief summary of the assumptions behind the projections. For a detailed explanation of the specific assumptions supporting the revenue and spending projections, see the section entitled "General Fund Financial Plan Financial Plan Projections for 2007-08 and 2008-09."

General Fund Gap Estimate for 2007-08: "Zero-Based" Estimate	
Savings/(Costs)	
(dollars in millions)	
	<u>2007-08</u>
Receipts	495
Constant Law Growth	3,200
Tax Reductions	(863)
Phaseout of Temporary PIT Actions	(447)
Loss of One-Time Revenues	(478)
Change in RBTF, STAR, LGAC	(236)
Change in All Other Debt Service	(270)
Phase-in of Other Tax Actions	(156)
All Other	(255)
Disbursements	(5,006)
Medicaid	(2,191)
Medicaid Cap/Family Health Plus Takeover	(593)
Subsidy to HCRA	(627)
School Aid	(558)
Welfare/Children and Families	(288)
General State Charges	(329)
Mental Hygiene	(168)
All Other Spending	(252)
Use of Stabilization Reserve/Other Fund Balances	834
BUDGET GAP FOR 2007-08	(3,677)

The gap for 2007-08 is a forecast based on assumptions related to economic performance, revenue collections, spending patterns, and projections for the "current services" costs of program activities. DOB believes the gap forecast and the assumptions from which it is derived are reasonable. However, as with any forecast, the gap estimate is subject to estimation risks that can lead to significant variations. The most significant assumptions affecting the 2007-08 gap include the following:

1. **Economic growth will continue at a steady pace over the forecast period.** The DOB forecast expects personal income to grow at roughly 5.9 percent, bolstered by slow but consistent employment growth and moderate growth in the financial services sector. A significant shock to the economy, such as another terrorist attack, spiraling energy prices, or a steep decline in the housing market, pose the most significant risks to the State economy in the short-run.
2. **Revenues, adjusting for tax law changes, will grow at roughly 5.8 percent in 2007-08.** The growth rate is consistent with DOB's forecast for the economy, but, as in any year, is subject to significant volatility. Changes in the economic growth rate, Federal law, and taxpayer behavior all have a significant influence on receipts collections.

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3. **Medicaid cost containment achieved through gubernatorial vetoes will generate savings only in 2006-07.** Since the Medicaid vetoes generally affect 2006-07 appropriations, the Financial Plan assumes that this cost containment will expire. The 2007-08 gap would be roughly \$900 million lower than the current projection if this Medicaid cost containment were continued in 2007-08. In past years, DOB has reflected the continuation of cost containment unless specific “sunset” provisions were included in law. However, since these savings are being achieved in 2006-07 without the concurrence of the Legislature, they are not counted as recurring.
4. **The assessment on nursing homes (valued at \$258 million) will expire at the end of 2006-07, rather than be extended in future years.** Since 2002, when the nursing home assessment was reinstated, the Legislature has extended it on three occasions, most recently in 2005-06 (for two years), but it was not continued as part of budget deliberations beyond 2006-07.
5. **The majority of the Medicaid cost containment approved annually since 1995 will continue,** providing roughly \$500 million in savings annually over the Financial Plan.
6. **The General Fund will be required to make Tobacco Guarantee and other subsidy payments to HCRA totaling \$627 million in 2007-08 and \$486 million in 2008-09.** HCRA expires on July 1, 2007. In the past, reauthorization of HCRA has produced new savings actions or revenues that resulted in fully solvent plans that did not require direct General Fund support.
7. **School Aid is projected to increase by roughly \$900 million annually (including SBE aid outside the General Fund).** Recent budgets have authorized higher increases. The projections assume that this total level of spending increase will be sufficient to satisfy court directives.
8. **Receipts of roughly \$500 million that are budgeted in both 2006-07 and 2007-08 are the subject of ongoing negotiations between the State and counties and New York City.** Actual miscellaneous receipts in 2005-06 were \$450 million less than planned.
9. **The Federal government will not make substantive funding changes to major aid programs, including TANF, Medicaid, and transportation aid.**
10. **Spending for employee and retiree health care costs assumes an average annual premium increase of 11 percent.** Escalating health care costs, including prescription drugs, may significantly influence future health care premiums. In addition, projections do not include any additional health care costs driven by new labor settlements once the current contract expires.

11. **The projections for 2007-08 and 2008-09 do not include any extra costs for new labor settlements** once the current round of contracts expire on April 1, 2007. Thus, the projections assume that any future collective bargaining cost increases will be offset by productivity improvements.

Significant changes to any of these assumptions have the potential to materially alter the size of the budget gap for 2007-08.

UNCONSTITUTIONAL ITEMS

The following table provides an item-by item listing of the 2006-07 unconstitutional actions, with the respective All Funds cash impact.

2006-07 Enacted Budget

Unconstitutional Items Vetoed from the 2006-07 Budget			
All Funds -- \$ in 000's			
Veto #	Agency	Purpose	Amount
6	ABC	Field investigators	700
7	ABC	Problem Premises Task Force	250
10	DOCS	Additional funding for Camp Pharsalia operations	5,200
11	DCJS	Anti-drug, anti-violence, crime control, prevention and treatment programs	2,523
18	LGA	Buffalo - Efficiency Incentive	8,000
20	LGA	Aid and Incentives to Municipalities	N/A
21	ABC	Problem Premises Task Force	N/A
33	ERDA	Electric utility public benefit programs	131,250
34	ERDA	Renewable energy programs	35,000
40	DMV	Department operations	20,000
41	DMV	Dedicated Fund offset change	-20,000
57	UDC	Seneca Army Depot	900
74	ESDC	Power for Jobs	50,000
75	ERDA	Conservation and efficiency pilot program	N/A
77	ESDC	Electric Utility Public Benefit Fund	N/A
115	Misc.	Local Property Tax Rebate program	756,000
124	UDC	Photovoltaic technology advancement	15,000
125	UDC	Conservation and efficiency pilot programs	15,000
126	UDC	Certain economic development/other projects	10,000
130	SED	Distribution and redistribution of program funds	N/A
158	DOH	Medical Assistance program	633,474
159	DOH	Medical Assistance program	489,124
162	DOH	Family Health Plus co-pay provisions	500
188	DOH	Part D wrap	N/A*
189	DOH	Nursing home rebasing	N/A*
190	DOH	Grants to public nursing homes	N/A*
191	DOH	Detox	N/A*
192	DOH	AIDS ADHC rate add on	N/A*
193	DOH	DEFRA Asset transfer	N/A*
194	DOH	Ambulance supplement	N/A*
195	DOH	Managed Care Transition	N/A*
197	DOH	ER rate increase	N/A*
198	DOH	ER physician services	N/A*
199	OMH	COLA	N/A*
207	OMH	DASNY transfer of land	0
208	TAX	Local Property Tax Rebate program (value above)	N/A
209		Chapter Amendment Items	18,141
210	DOH	Medicaid funding for certain outpatient services	N/A*
211	ESDC	Loan Forgiveness provisions	0
213	TAX	Local Property Tax Rebate program (value above)	N/A
TOTAL VALUE OF VETOED UNCONSTITUTIONAL ITEMS			2,171,062

* Funding associated with medical assistance article VII vetos are included in veto numbers 158 and 159 (above) as these items are reflected in medical assistance appropriations.

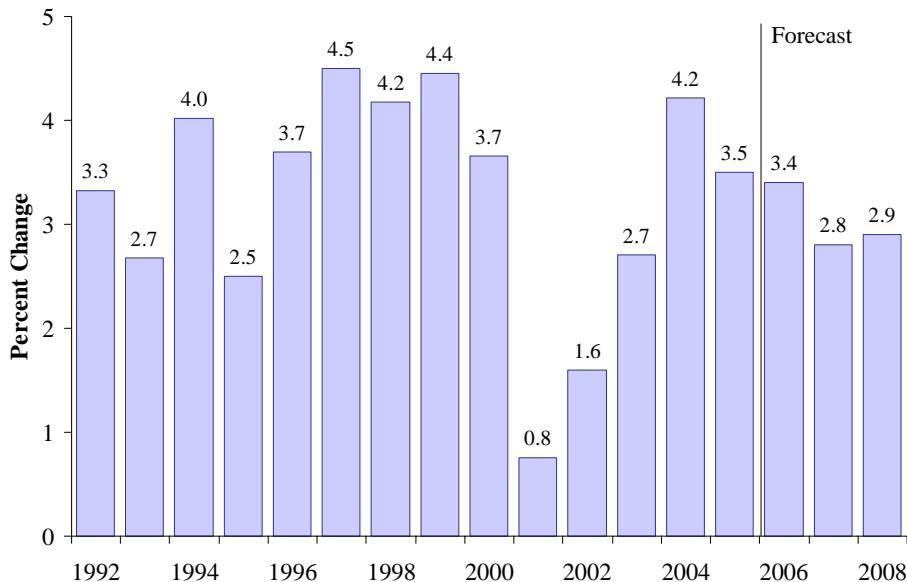
ECONOMIC FORECAST

THE NATIONAL ECONOMY

The U.S. economy rebounded in the first quarter of 2006 with growth of 4.8 percent, following slower growth of only 1.7 percent in the fourth quarter of last year. Much of the weakness in the fourth quarter was due to timing factors and, thus, a strong first quarter performance was expected. However, the 3.3 percent average growth rate over the two quarters represents a slowdown from the 4.1 percent average over the prior two and one-half years. With interest rates rising and the housing market exhibiting signs of cooling, the national economy is expected to significantly decelerate over the course of the year and into 2007 (see Figure 1). This outlook is consistent with the consensus economic forecasting process conducted by the Executive and the Legislature in advance of the enactment of the State's 2006-07 Budget. Despite the slowdown, several factors — including continued improvement in business spending and hiring, substantial outlays for post-hurricane reconstruction, and continued growth abroad — are expected to lead to growth at roughly the long-term trend rate over most of the forecast horizon.

Since the release of the 2006-07 Executive Budget with 30-day amendments in February 2006, revisions to third and fourth quarter data indicate that the national economy entered the year with slightly more momentum than originally thought. Both income and output were modestly stronger than preliminary data indicated. Therefore, DOB has slightly increased projected growth in real U.S. GDP for 2006 to 3.4 percent, following growth of 3.5 percent for 2005.

Figure 1
Outlook for Real U.S. GDP Growth



Source: Moody's Economy.com; DOB staff estimates.

INFLATION AND MONETARY POLICY

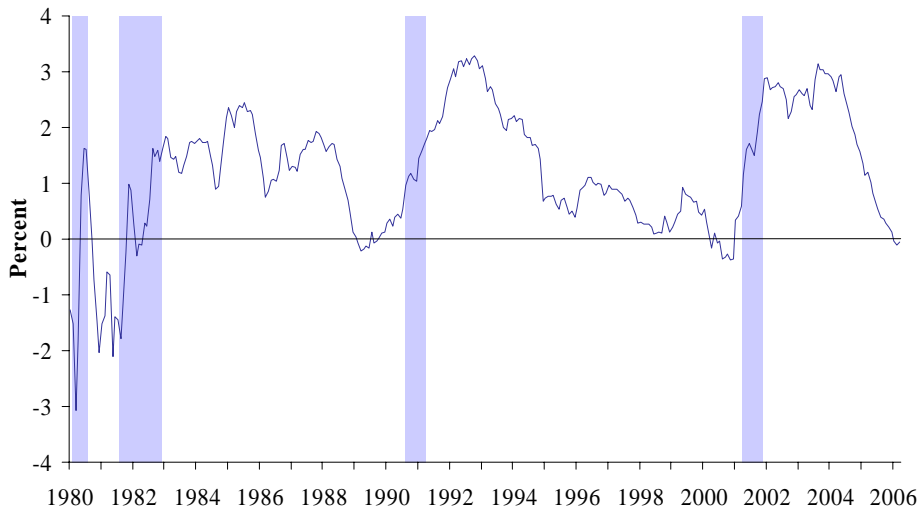
Geopolitical concerns have sent energy prices higher since the release of the Executive Budget with 30-day amendments. Earlier in the year, favorable inventories reports made it appear as if crude oil prices would moderate, but they in fact did just the opposite. With supply concerns becoming a more permanent feature of the energy landscape, DOB has altered its outlook for oil prices accordingly. However, a slowing economy and well-anchored expectations regarding inflation mean that higher energy prices should translate into only slightly higher growth in the general price level. DOB currently projects consumer price inflation of 3.1 percent for 2006.

After almost two years and 15 consecutive interest rate increases of 25 basis points each, long-term interest rates have finally risen above their levels when the Federal Reserve initiated its policy shift at the end of June 2004. In late April, the ten-year Treasury yield breached 5 percent for the first time since 2002. Nevertheless, the interest rate term spread remains historically narrow for what is believed to be the middle and not the end of an economic expansion. How the Federal Reserve views the causes of the widely discussed “interest rate conundrum” may determine how much tightening the monetary authority thinks it needs in order to maintain price stability. In the past, narrowing term spreads have often signaled the onset of a recession (see Figure 2). However, the currently prevailing view is that the recent narrowing of the term spread has been the result of a declining term premium, rather than a harbinger of bad times to come.⁵ Possible explanations for the decline in the term premium include: more moderate inflation and economic volatility, due in part to well-anchored inflation expectations; currency market interventions by foreign governments; asset management strategies pursued by pension funds; and a tight supply of long-term securities relative to demand.

Since long-term rates are viewed as more important to the decision-making of households and businesses than short-term rates, the behavior of the term premium could have important implications for the conduct of monetary policy. For example, a lower-term premium could imply a higher policy-neutral interest rate target relative to the historical average. DOB now expects that the central bank will accelerate the pace of growth in its Federal funds target, then pause once it reaches 5 percent, leaving its longer-term path unchanged from the Executive Budget forecast. Consequently, the ten-year Treasury yield is also expected to rise more quickly over the course of 2006 than was projected in February.

⁵ For an exposition of this view, see Ben Bernanke, “Reflections on the Yield Curve and Monetary Policy,” The Federal Reserve Board, remarks before the Economic Club of New York, New York, NY, March 20, 2006.

Figure 2
Monetary Policy and the Decline of the Term Spread



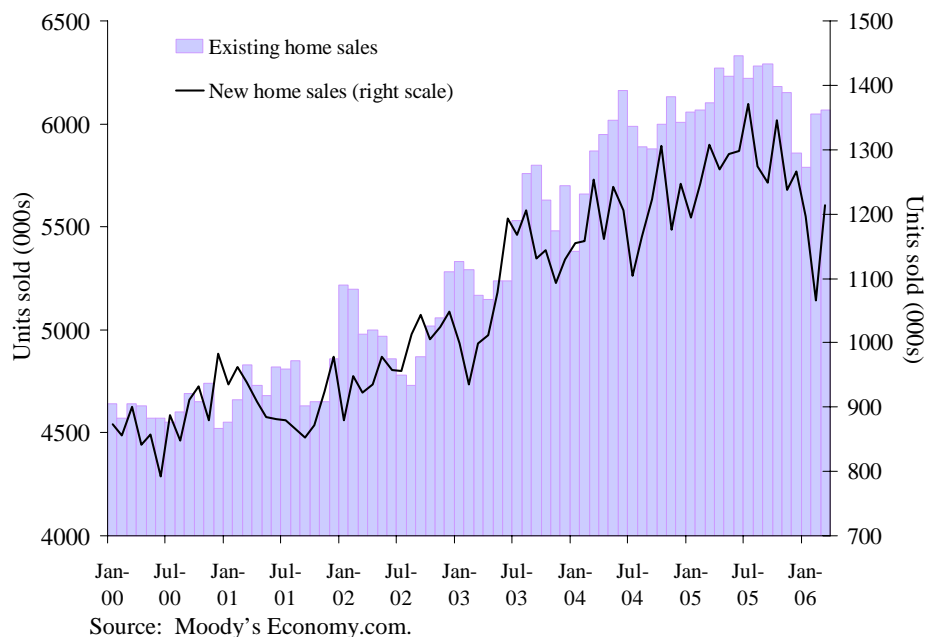
Note: The term spread is defined as the difference between the 10-year and the 1-year Treasury yields. Shaded areas represent U.S. recessions.
 Source: Moody's Economy.com.

HOUSEHOLD SPENDING AND HOUSING MARKET RISK

The Executive Budget presentation outlined the potential risks to consumption and residential investment spending from a cooling housing market. The most recent data suggests that the cooling process has already begun. Like other long-term interest rates, mortgage rates have had an unusual relationship with the Federal funds rate since mid-2004. Nonetheless, mortgage rates are at their highest levels since early 2003, implying a decline in housing affordability, all else being equal. Consequently, both new and existing home sales have fallen from their 2005 peaks (see Figure 3) and construction employment growth has leveled off.

Figure 3

New and Existing Single Family Home Sales Have Peaked



With the rise in interest rates and the cooling of the housing market, mortgage equity withdrawals are expected to diminish. This decline could act to diminish consumer spending. Data collected by Freddie Mac indicate that the 2005 volume of equity cash-outs was even stronger than had been projected in February. However, cash withdrawals are expected to fall by about half for 2006, and the eventual impact on consumption growth could be even larger than originally estimated. But the lags with which households are believed to spend these withdrawals should ensure that the impact will unfold gradually. In addition, the national labor market remains strong, with employment gains averaging 218,000 for the five-month post-hurricane period of November 2005 through March 2006. DOB still projects employment growth of 1.6 percent for 2006, slightly stronger than the 1.5 percent growth experienced in 2005. The forecast for 2006 translates into average monthly gains of about 170,000 jobs for the remainder of the year, more than sufficient to absorb the expected growth in the labor force. Moreover, revisions to wages by the U.S. Bureau of Economic Analysis indicate even stronger growth for last year than originally estimated, resulting in a higher forecast for both wages and personal income for 2006 as well. DOB now projects wage and personal income growth of 5.5 percent and 6.2 percent, respectively, for 2006.

DOB expects that the strength in employment and income growth will almost fully compensate for the decline in stimulus coming from the housing market. Total consumption spending is expected to grow 3.4 percent for 2006, slightly below the 3.5 percent rate for 2005, and slightly above the Executive Budget projection.⁶ A subdued

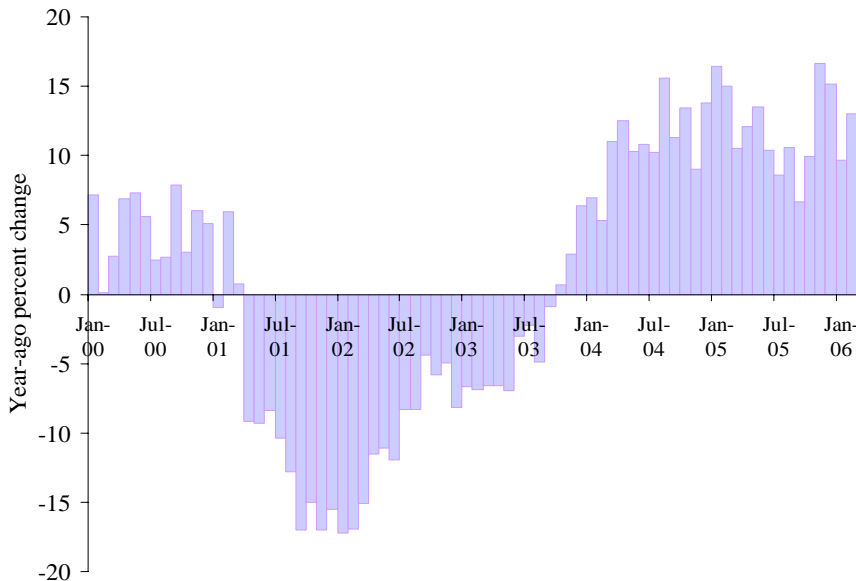
⁶ The impact of Medicare Part D on nondurable and services consumption for the first three months of 2006 appears slightly higher than originally projected.

housing market is still expected to sharply reduce residential construction spending from 7.1 percent in 2005 to 1.3 percent for 2006. However, the downside risks to the forecast stemming from the household sector are perhaps more pronounced now than in February. Elevated energy prices, particularly for gasoline, could take a larger bite out of consumer spending than projected. In addition, an accelerated pace of interest rate increases could imply a quicker falloff in mortgage refinancings and equity withdrawals, as well as home sales.

BUSINESS SECTOR SPENDING SPRINGS TO LIFE

In addition to the strong recent gains in employment, the nation’s business sector has shown an increased propensity to spend on plant and equipment. Figure 4 shows that year-over-year growth in shipments of nondefense capital goods has accelerated recently, after falling off during much of 2005. This falloff occurred despite extremely robust growth in corporate profits. Investment in equipment and software in the fourth quarter was brought down by a slowdown in auto purchases by businesses, following a strong response to buyer incentives offered over the summer. However, after adjusting for this timing factor, it becomes apparent that momentum in overall business spending is building. Indeed, spending for nonresidential structures also appears to be on the upswing, perhaps in anticipation of higher future long-term interest rates. These developments have led DOB to increase projected growth in nonresidential fixed investment for 2006 to 8.9 percent, following growth of 8.6 percent for 2005.

Figure 4
Growth in Nondefense Capital Goods Shipments



Note: Nondefense capital goods shipments do not include light vehicles.
Source: Moody’s Economy.com.

Growth in corporate profits from current production, including the inventory valuation and capital consumption adjustments, was exceedingly strong in the fourth quarter of

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last year, bringing growth up to 16.4 percent for all of 2005. Profits are expected to remain strong, consistent with higher projected energy prices. Therefore, DOB has raised its forecast for profits growth for 2006 to 13.9 percent. This increase in projected corporate earnings is expected to be largely offset by faster growth in long-term interest rates. Thus, projected equity market growth for 2006, as represented by growth in the S&P 500 price index, is virtually unchanged at 10.4 percent, following growth of 6.8 percent in 2005.

TWIN DEFICITS REMAIN A RISK

There are indications that global growth is exceeding expectations, which combined with revised data for the fourth quarter, has resulted in faster export growth than projected in February. Real export growth of 8.0 percent is now projected for 2006, following growth of 6.9 percent for 2005. However, preliminary data, along with stronger projected investment growth, have resulted in higher projected import growth as well. DOB now projects real import growth of 8.4 percent for 2006, following growth of 6.3 percent for 2005. Thus, these revisions to foreign sector growth still imply a deteriorating trade deficit for this year. In addition, the war and reconstruction efforts, along with the recent expansion of the Medicare program, imply continued stimulus from Federal fiscal policy. Based on revised data for the fourth quarter of 2005 and preliminary data for the first quarter of 2006, DOB has increased the projected rate of real government spending for 2006 to 2.1 percent, following growth of 1.8 percent for 2005.

The Federal budget deficit, along with an ever-widening trade deficit, continues to pose a risk to the U.S. dollar. With growth prospects now significantly improving, the Bank of Japan's effort to depress the value of the yen relative to the dollar could diminish with time. Indeed, Japan's foreign holdings of U.S. Treasury securities as of January 2006 were actually below the January 2005 level. Moreover, Chinese holdings of U.S. Treasuries, the second largest outside of the U.S., grew at a much slower rate over the course of 2005 than over the prior year. Strengthening global growth can be expected to generate concern about inflation and, hence, rising interest rates worldwide, leaving the dollar more vulnerable to depreciation risk as a result of the growing twin deficits.

RISKS TO THE U.S. FORECAST

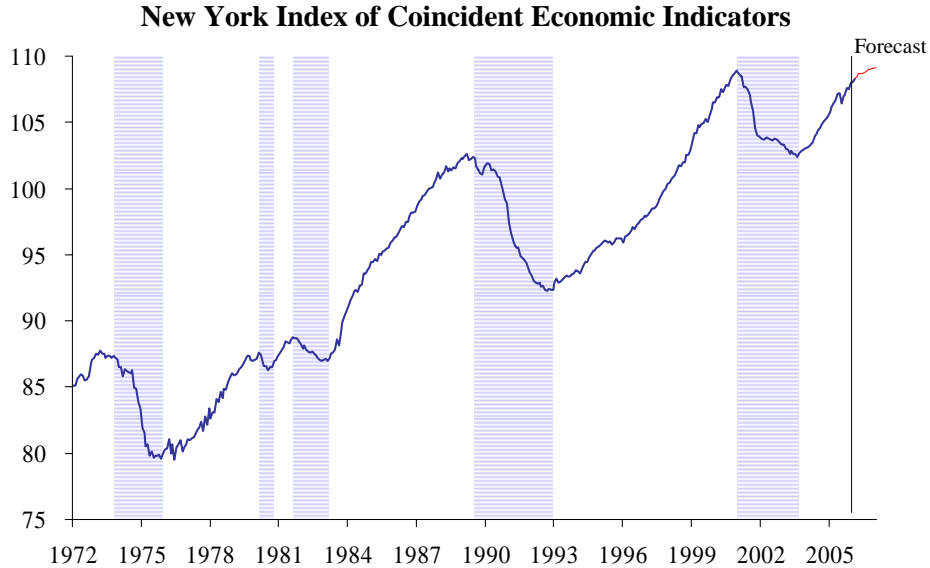
In addition to the risks outlined above, a shock to the economy related to geopolitical uncertainty, particularly in the form of a direct attack, remains the greatest risk to the U.S. forecast. DOB's outlook for household sector spending continues to rely on healthy growth in employment and wages, a gradual receding of inflationary pressures, a slow decline in the housing market, and the settling of interest rates at a relatively "neutral" level. If the Federal Reserve believes that the long bond term premium is permanently lower, then it might feel the need to raise short-term interest rates by more than in the past in order to preempt inflationary pressure, presenting the possibility that the Federal Reserve could raise rates by too much. A weaker labor or housing market,

or higher than expected interest rates could result in lower than projected consumer spending. Energy market speculation in the face of a tight and uncertain supply of oil remains a risk to the inflation forecast, and is compounded by risks to the value of the dollar. Finally, excessive volatility in equity prices represents an additional source of uncertainty. However, stronger job growth, lower energy prices, or lower long-term interest rates than anticipated could result in a stronger national economy than projected.

THE NEW YORK STATE ECONOMY

The State’s recovery is securely in the middle of its third year. The State’s financial and housing sectors have been strongly supported by low interest rates and rising home prices, while the professional and business services sector has benefited from robust growth in U.S. corporate profits. In addition, New York City’s tourism boom appears to be continuing. However, as illustrated in Figure 5, the most recent data continues to indicate that the State’s economic momentum may have peaked in 2005. Although the New York State Leading Index indicates continued growth through 2006, the rate of growth is expected to slow going forward. State private sector employment growth is projected to slow to 0.9 percent in 2006, consistent with the consensus economic forecasting process conducted by the Executive and the Legislature in advance of the enactment of the State’s 2006-07 Budget.

Figure 5



Note: Shaded areas represent N.Y. recessions. Forecast is derived from the New York Leading Index.
 Source: Moody’s Economy.com; DOB staff estimates.

The most recent data indicates that employment dynamics at the firm level continue to support a positive outlook for State employment growth. As indicated in Figure 6, the State’s gross rate of job creation comfortably exceeds the gross rate of job destruction.

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Nevertheless, the recent upturn in the job destruction index may be yet another indicator of the slowing of State economic growth. As mentioned above, recent Federal Reserve policy appears aimed at engineering a soft landing for the U.S. economy as was successfully accomplished in 1994-95. However, as the events of that period demonstrated, because of the State's position as a financial market capital, the New York economy tends to be more sensitive to monetary policy actions than the economies of other states. As indicated in Figure 7, employment growth at both the State and national levels responded negatively to the seven consecutive interest rate hikes implemented by the Federal Reserve between January 1994 and January 1995. Thus, the soft landing projected for the nation could turn into a significant slowdown for New York.

REVISIONS TO STATE INCOME

Base-year data revisions have motivated several changes in the DOB forecast for New York State personal income and wages for 2006 since February. Based on the most recent Bureau of Economic Analysis data for property, proprietor, and transfer income for the second half of 2005, growth in total non-wage personal income has been revised up to 5.5 percent for 2005 and 6.6 percent for 2006. New York State wages were revised up for the third quarter of 2005, bringing estimated wage growth to 5.3 percent for last year. DOB now projects wage growth of 5.5 percent for 2006. Based largely on these revisions to the base year, total State personal income is now projected to grow 5.9 percent for 2006, following estimated growth of 5.4 percent for 2005. DOB's outlook for bonus income growth for the 2006-07 bonus season remains virtually unchanged from the Executive Budget with 30-day amendments.

Figure 6

NYS Private Sector Employment Dynamics

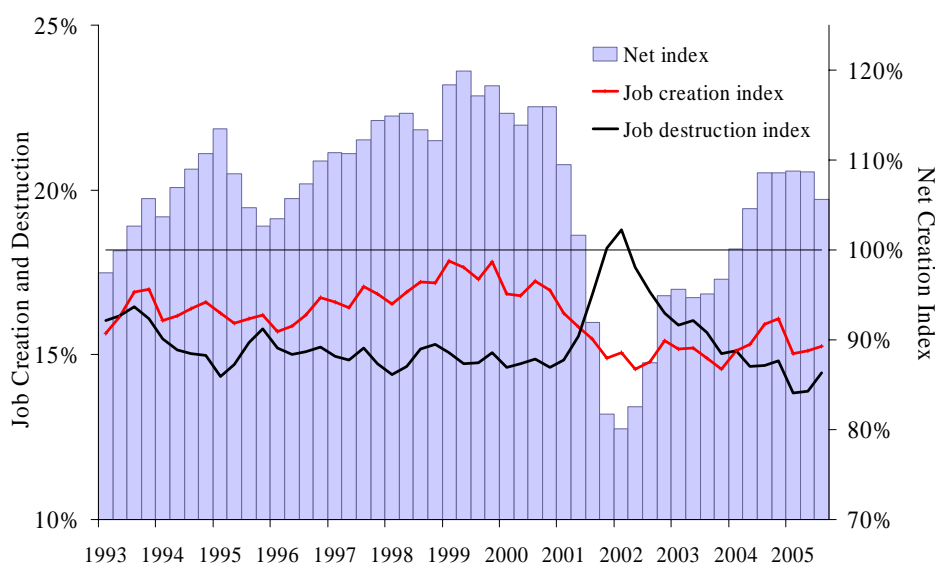
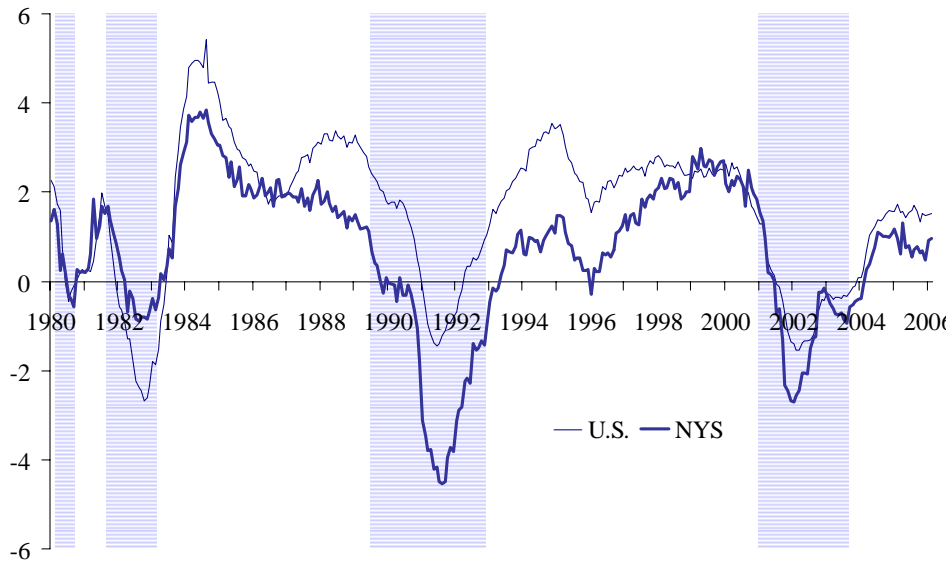


Figure 7
Employment Growth Comparison: New York vs. U.S.
 Percent change from a year ago



Note: Shaded areas represent N.Y. recessions.
 Source: Moody's Economy.com.

Risks to the New York Forecast

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Finance and insurance sector bonuses fell 7.7 percent during the 1994-95 State fiscal year in the wake of the Federal Reserve's policy shift. This risk would become amplified should the central bank overshoot its target. The impact of rising rates on the State's housing sector also poses a risk. Should the State's real estate market cool more rapidly than anticipated, household consumption and taxable capital gains realizations could be negatively affected. These effects could ripple through the economy, depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

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SELECTED ECONOMIC INDICATORS (Calendar Year)

	2004	2005	2006	2007	2008	2009	1977-2005
	(actual)	(estimate)	(forecast)	(forecast)	(forecast)	(forecast)	Average
U.S. Indicators¹							
Gross Domestic Product (current dollars)	7.0	6.4	6.7	5.6	5.6	5.6	6.9
Gross Domestic Product Consumption	4.2	3.5	3.4	2.8	2.9	3.0	3.2
Residential Fixed Investment	3.9	3.5	3.4	3.1	3.3	3.3	3.3
Nonresidential Fixed Investment	10.3	7.1	1.3	(3.4)	(0.5)	1.0	3.8
Change in Inventories (dollars)	9.4	8.6	8.9	6.8	5.8	5.5	5.2
Exports	52.0	20.3	33.9	39.0	33.2	33.5	27.6
Imports	8.4	6.9	8.0	8.0	7.7	8.0	5.9
Government Spending	10.7	6.3	8.4	7.6	7.2	7.4	7.0
Corporate Profits ²	2.2	1.8	2.1	2.3	2.3	2.2	2.3
Personal Income	12.6	16.4	13.9	5.3	5.9	6.4	8.0
Wages	5.9	5.5	6.2	6.0	6.0	5.9	7.0
Nonagricultural Employment	5.4	6.2	5.5	5.7	5.8	5.7	6.6
Unemployment Rate (percent)	1.1	1.5	1.6	1.6	1.5	1.4	1.8
S&P 500 Stock Price Index	5.5	5.1	4.8	4.8	4.9	5.0	6.2
Federal Funds Rate	17.3	6.8	10.4	9.5	8.7	8.3	9.7
Treasury Note (10-year)	1.3	3.2	4.8	5.1	5.0	5.0	6.7
Consumer Price Index	4.3	4.3	5.1	5.8	5.9	5.9	7.8
	2.7	3.4	3.1	2.6	2.7	2.7	4.4
New York State Indicators							
Personal Income ³	6.8	5.4	5.9	5.4	5.1	5.2	6.3
Wages and Salaries ³							
Total	6.4	5.3	5.5	5.2	4.9	4.7	6.0
Without Bonus ⁴	4.5	4.2	4.4	4.5	4.3	4.2	5.7
Bonus ⁴	21.8	12.7	12.5	9.3	8.7	7.4	10.6
Wage Per Employee	5.7	4.3	4.7	4.4	4.2	3.9	5.2
Property Income	4.5	2.1	5.2	4.7	4.8	4.7	6.3
Proprietors' Income	9.3	6.4	7.8	7.5	7.1	7.3	8.0
Transfer Income	8.2	6.2	6.2	5.7	5.4	6.1	6.9
Nonfarm Employment ³							
Total	0.6	0.9	0.8	0.7	0.7	0.7	0.8
Private	0.8	1.1	0.9	0.8	0.8	0.8	0.8
Unemployment Rate (percent)	5.8	5.0	4.7	4.8	4.9	5.1	6.5
Composite CPI of New York ⁴	3.2	3.7	3.1	2.9	2.5	2.5	4.4

¹ All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 2000 dollars, unless otherwise noted.

² Includes inventory valuation and capital consumption adjustments.

³ Nonagricultural employment, wage, and personal income numbers are based on CEW data.

⁴ Series created by the Division of the Budget.

Source: Moody's Economy.com; NYS Department of Labor; DOB staff estimates.

SELECTED ECONOMIC INDICATORS
(State Fiscal Year)

	2004-05	2005-06	2006-07	2007-08	2008-09	2009-10	1976-77 - 2004-05
	(actual)	(estimate)	(forecast)	(forecast)	(forecast)	(forecast)	Average
U.S. Indicators¹							
Gross Domestic Product (current dollars)	6.8	6.5	6.4	5.5	5.6	5.6	7.0
Gross Domestic Product	4.0	3.5	3.3	2.8	3.0	3.0	3.2
Consumption	3.7	3.5	3.3	3.2	3.3	3.3	3.4
Residential Fixed Investment	9.2	6.7	(1.1)	(2.7)	(0.0)	1.2	4.1
Nonresidential Fixed Investment	10.0	8.3	8.5	6.4	5.7	5.4	5.2
Change in Inventories (dollars)	56.1	11.2	39.2	37.0	32.6	34.0	28.3
Exports	8.0	7.1	8.1	7.9	7.7	8.0	5.9
Imports	10.8	5.7	8.6	7.6	7.2	7.4	7.4
Government Spending	1.9	1.9	2.2	2.3	2.2	2.2	2.2
Corporate Profits ²	10.7	18.1	9.9	6.2	5.7	6.8	7.9
Personal Income	6.2	5.4	6.3	6.0	6.0	5.9	7.1
Wages	6.1	5.7	5.7	5.7	5.8	5.7	6.7
Nonagricultural Employment	1.4	1.5	1.6	1.5	1.4	1.4	1.9
Unemployment Rate (percent)	5.4	4.9	4.8	4.8	4.9	5.1	6.3
S&P 500 Stock Price Index	11.0	7.4	11.0	9.2	8.6	8.2	9.9
Federal Funds Rate	1.7	3.7	5.0	5.1	5.0	5.0	6.7
Treasury Note (10-year)	4.3	4.4	5.4	5.9	5.9	6.0	7.9
Consumer Price Index	3.0	3.5	2.9	2.6	2.7	2.7	4.4
New York State Indicators							
Personal Income ³	6.2	5.9	5.7	5.3	5.0	5.2	6.3
Wages and Salaries ³							
Total	5.5	6.0	5.2	5.1	4.8	4.6	6.0
Without Bonus ⁴	4.6	4.5	4.5	4.4	4.2	4.2	5.7
Bonus ⁴	12.0	16.3	9.0	9.3	7.8	7.3	10.1
Wage Per Employee	4.5	5.1	4.4	4.4	4.0	3.9	5.2
Property Income	4.5	3.1	4.9	4.7	4.7	4.7	6.5
Proprietors' Income	8.5	6.5	7.9	7.4	7.1	7.4	8.3
Transfer Income	7.8	6.0	6.2	5.6	5.4	6.3	6.8
Nonfarm Employment ³							
Total	0.9	0.9	0.8	0.7	0.7	0.7	0.7
Private	1.1	1.0	0.9	0.8	0.8	0.8	0.8
Unemployment Rate (percent)	5.5	4.9	4.7	4.8	5.0	5.1	6.7
Composite CPI of New York ⁴	3.6	3.7	3.0	2.7	2.5	2.5	4.5

¹ All indicators are percent changes except change in inventories, the unemployment rate, and interest rates; all GDP components refer to chained 2000 dollars, unless otherwise noted.

² Includes inventory valuation and capital consumption adjustments.

³ Nonagricultural employment, wage, and personal income numbers are based on CEW data.

⁴ Series created by the Division of the Budget.

Source: Moody's Economy.com; NYS Department of Labor; NYS Department of Taxation and Finance; DOB staff estimates.

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2006-07 FINANCIAL PLAN

INTRODUCTION

This section describes the State's Financial Plan projections for receipts and disbursements based on 2006-07 Enacted Budget actions. The receipts forecast describe estimates for the State's principal taxes, miscellaneous receipts, and transfers from other funds. The spending projections summarize the annual growth in current services spending and the impact of Enacted Budget actions on each of the State's major areas of spending (e.g., Medicaid, school aid, human services).

The 2006-07 Financial Plan projections are presented on an All Funds basis, which encompasses activity in the General Fund, other State-supported Funds, and Federal Funds, thus providing the most comprehensive view of the financial operations of the State.

2006-07 RECEIPTS FORECAST

Financial Plan receipts comprise a variety of taxes, fees, charges for State-provided services, Federal grants, and other miscellaneous receipts. The receipts estimates and projections have been prepared by DOB with the assistance of the Department of Taxation and Finance and other agencies concerned with the collection of State receipts.

Total Receipts (millions of dollars)				
	2005-06 Results*	2006-07 Enacted	Annual	Percent
General Fund	47,206	50,860	3,654	7.7%
State Funds	71,728	75,440	3,712	5.2%
All Funds	107,027	111,179	4,152	3.9%

*Unaudited

All Funds receipts for 2006-07 are projected to total \$111.2 billion, an increase of 3.9 percent or \$4.2 billion over 2005-06 collections. The estimated increase reflects growth in tax receipts of \$3.3 billion, Federal grants of \$467 million, and miscellaneous receipts of \$423 million.

Enacted Budget Receipt Projections			
Major Sources of Annual Change			
(millions of dollars)			
	General Fund	State Funds	All Funds
2005-06 Results	47,206	71,728	107,027
Personal Income Tax	2,437	3,406	3,406
User Taxes & Fees	(316)	(240)	(240)
Business Taxes	219	221	221
Miscellaneous Receipts	828	452	422
All Other	486	(127)	343
2006-07 Enacted Budget Estimate	50,860	75,440	111,179
<i>Dollar Change</i>	<i>3,654</i>	<i>3,712</i>	<i>4,152</i>
<i>Percent Change</i>	<i>7.7%</i>	<i>5.2%</i>	<i>3.9%</i>

Total 2006-07 General Fund receipts, including transfers from other funds, are estimated to be \$50.9 billion, an increase of \$3.7 billion, or 7.7 percent over the prior year. General Fund tax receipts growth is projected at 6.7 percent. General Fund miscellaneous receipts are projected to increase by 41.1 percent, largely due to several one-time transactions expected in the current fiscal year.

Total State Funds receipts are estimated to be \$75.4 billion, an increase of \$3.7 billion, or 5.2 percent, from 2005-06 receipts.

Total All Funds receipts in 2006-07 are expected to reach \$111.2 billion, an increase of \$4.2 billion, or 3.9 percent, over 2005-06. Tax receipts are projected to increase by \$3.3 billion, or 6.1 percent (and 9.8 percent after factoring in the impact of law changes and shifts across funds). The majority of this increase is attributable to the expectation of continued economic expansion offset by the sunset of the personal income tax surcharge and the newly enacted tax reductions included with this Budget. Federal grants are expected to increase by \$467 million, or 2.1 percent. Miscellaneous receipts are projected to increase by \$423 million, or 2.3 percent.

Personal Income Tax

General Fund personal income tax (PIT) receipts for 2006-07 are expected to total \$23.1 billion, an 11.8 percent increase over the prior year. General Fund personal income tax receipts for 2007-08 are projected to reach \$23.9 billion in 2007-08, an increase of 3.4 percent from 2006-07.

All Funds PIT receipts for 2006-07 are estimated to total \$34.2 billion, an increase of approximately \$3.4 billion, or 11.1 percent, over the prior year. The forecast reflects continued strong growth in taxable income for 2006, along with the residual benefit of the 2005 tax payments made in April, which includes the impact of the last year of the temporary personal income tax surcharge. Projected growth for 2006-07 reflects the expiration of the temporary surcharge and the part-year impact of the new Empire State

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Child Credit (effective for tax years beginning in 2006) authorized in the Enacted Budget.

All Funds PIT projected receipts for 2007-08 of \$35.3 billion reflect an increase of 3.3 percent or \$1.1 billion above the estimate for 2006-07. The forecast reflects continued economic growth, the full-year impact of the expiration of the temporary surcharge and tax reductions authorized in the Enacted Budget. These include the Empire State Child Credit and an increase in the standard deduction to eliminate the "marriage penalty." All Funds receipts for 2008-09 continue to reflect relatively strong growth in tax liability, and are estimated at \$37.9 billion, an increase of \$2.5 billion or 7.2 percent above 2007-08.

User Taxes and Fees

General Fund receipts for user taxes and fees are estimated to be \$8.3 billion in 2006-07, a decrease of 3.7 percent from 2005-06. General Fund sales tax receipts are projected to be \$7.7 billion, a decrease of \$292 million, or 3.7 percent.

General Fund user taxes and fees receipts for 2007-08 are projected to reach \$8.7 billion, an increase of \$343 million, or 4.1 percent, from 2006-07. Sales tax receipts are projected to increase \$327 million, or 4.3 percent, due to modest growth in the economic base. General Fund other user taxes and fees in 2007-08 are projected to be virtually unchanged from 2006-07.

All Funds user taxes and fees collections for 2006-07 are estimated to be \$13.7 billion, a decrease of 1.7 percent from 2005-06. The decrease in the General Fund and All Funds largely reflects the impact of the exemption of clothing and footwear priced under \$110. All Funds user taxes and fees receipts for 2007-08 are projected to be \$14.2 billion, an increase of \$519 million, or 3.8 percent, from 2006-07.

In 2008-09, All Funds user taxes and fees receipts are projected to total \$14.6 billion, an increase of \$441 million or 3.1 percent over 2007-08. The projection reflects continued modest sales tax base growth and relative stability in the other tax categories.

Business Taxes

General Fund business taxes are expected to reach \$5.3 billion in 2006-07, an increase of 4.3 percent. General Fund business tax receipts for 2007-08 are estimated to increase by a modest 1.5 percent over the prior year.

All Funds business tax receipts for 2006-07 are estimated to reach \$7.3 billion, an increase of \$221 million, or 3.1 percent over the prior year. The estimate reflects a return to more moderate levels of growth in business taxes following extraordinary growth of 22.1 percent in 2005-06. The overall increase in the business tax category for 2006-07 is due primarily to growth in the corporate franchise tax (4.1 percent), insurance tax (9.5 percent) and petroleum business taxes (4 percent), offset by declines

in corporate utility taxes (4.9 percent) and the bank tax (1.4 percent). The estimates expect that audit and compliance receipts from the corporate franchise and bank tax will return to more normal levels after the exceptional results in 2005-06. Receipts for 2006-07 also reflect the impact of tax reductions reflected in the Enacted Budget, including the elimination of the S-Corporation differential tax, the extension and increase in the Empire State Film Production credit, and the reduction in taxes paid by certain life insurance companies.

All Funds receipts for 2007-08 are projected to increase by 1.8 percent, or \$132.5 million, over the prior year. The reduced growth is attributable to the impact of tax reductions included in the Enacted Budget, including those described above, a new Empire State Commercial Production credit, and a new credit for the production of alternative bio-fuels; and the return to historical levels of audit and compliance receipts.

In 2008-09, All Funds business tax receipts are projected to increase \$144.4 million or 1.9 percent over the prior year. The increase reflects trend growth in underlying business tax receipts, the impact of the final phase-in of a business allocation formula that uses only sales as a factor enacted in 2005, and the impact of 2006-07 tax reductions. This includes Empire Zone benefits for substantial investments in regionally significant projects that are expected to begin reducing receipts in 2008-09.

Other Taxes

General Fund receipts in 2006-07 from other taxes are projected to increase \$15 million, or 1.6 percent, to \$896 million. Growth of \$19 million in estate tax receipts is partially offset by the loss of receipts from the repealed gift tax and real property gains tax. With rate reductions enacted in 2006, pari-mutuel taxes are expected to decline by \$1.5 million from 2005-06 levels.

All Funds receipts for other taxes are projected at \$1.7 billion in 2006-07, down \$124 million, or 6.8 percent, from 2005-06 receipts. The expected decline reflects a \$138 million decrease in real estate transfer tax receipts due to an anticipated "cooling" of the downstate real estate market. The decline in real estate transfer tax receipts is partially offset by an anticipated \$19 million increase in estate tax receipts. Compared to the Executive Budget estimate, the other taxes receipts projection is down \$3.8 million, reflecting the legislative enactment of a pari-mutuel tax reduction.

The All Funds receipts projection for other taxes is \$1.8 billion in 2007-08, up \$71 million (4.2 percent) from 2006-07 receipts. In 2008-09, other taxes are estimated at \$1.8 billion, an increase of \$63 million, or 3.6 percent from 2007-08 receipts. Increases in other tax receipts are attributable to continued growth in estate tax receipts.

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Miscellaneous Receipts

In the General Fund, miscellaneous receipts include income derived annually from abandoned property, investment earnings, fees, licenses, fines, surcharges, patient income, and reimbursement income. In addition, miscellaneous receipts typically include certain non-recurring transactions. General Fund miscellaneous receipts are projected to total over \$2.8 billion in 2006-07, an increase of \$828 million from 2005-06. All Funds miscellaneous receipts are expected to increase by \$422 million. The large General Fund miscellaneous receipts is offset by expected declines in other funds, largely reflecting the loss of health conversion proceeds.

Federal Grants

General Fund Federal grants are projected to total \$9 million in 2006-07, a decrease of \$2 million from 2005-06.

ENACTED BUDGET TAX LEGISLATION

The table below summarizes the new tax legislation affecting the Financial Plan that was included in the 2006-07 Enacted Budget.

2006-07 New Tax Legislation (dollars in millions)			
TAX REDUCTIONS	<u>2006-07</u>	<u>2007-08</u>	<u>2008-09</u>
Personal Income Tax			
EITC Strengthening Families	-	(20)	(20)
Eliminate Marriage Penalty (standard deduction only)	-	(50)	(50)
Child Credit	(75)	(625)	(600)
National Guard Exemption	(1)	(1)	(1)
Land Conservation Credits	-	(1)	(2)
Farmer's School Property Tax Credit	-	(10)	(10)
Credit for Volunteer Firefighters	-	-	(20)
STAR			
Enhanced STAR	(72)	-	-
User Taxes and Fees			
Clothing Exemption Return to Permanent	(608)	-	-
Exemption for Admission Charges to Amusement Parks	(1)	(1)	(1)
Sales Tax Vendor Credit	(24)	(54)	(54)
Business Taxes			
Empire Zones Significant Capital Investment	-	-	(33)
Eliminate S Corp Differential Rate	(40)	(40)	(40)
Encourage Alternative Fuel Production - Biofuel	-	(10)	(10)
Brownfields	-	-	-
Commercial Production Credit	-	(7)	(7)
Film Production Credit	(35)	(35)	(35)
Low Income Housing	(4)	(4)	(4)
Marginal Tax Rate for Annuity Premiums	(3)	(3)	(3)
Other Taxes			
Pari-Mutuel Rate and Reductions	(4)	(2)	(2)
TOTAL TAX REDUCTIONS	(866)	(863)	(892)

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2006-07 DISBURSEMENTS FORECAST

Total Disbursements (millions of dollars)				
	2005-06 Results*	2006-07 Enacted	Annual \$ Change	Annual % Change
General Fund	46,495	50,843	4,348	9.4%
State Funds	69,723	77,100	7,377	10.6%
All Funds	104,341	112,463	8,122	7.8%

*Unaudited

In 2006-07, General Fund spending, including transfers to other funds, is projected to total \$50.8 billion, an increase of 9.4 percent over 2005-06 unaudited year-end results. State Funds spending, which includes spending from both the General Fund and other funds supported by dedicated taxes, assessments, tuition revenues, HCRA resources and other non-Federal revenues, is projected to total \$77.1 billion in 2006-07. All Funds spending, the broadest measure of the State Budget that includes Federal aid is projected to total \$112.5 billion in 2006-07. When adjusted to exclude the incremental increase in the cost of the State Medicaid cap and FHP takeover, both of which provide local property tax and mandate relief, annual spending growth is roughly 7.7 percent in the General Fund, 9.5 percent in State Funds, and 7.1 percent in All Funds.

The major sources of annual spending change between 2005-06 and 2006-07 are summarized in the following table.

2006-07 Enacted Budget

Enacted Budget Spending Projections					
Major Sources of Annual Change					
(millions of dollars)					
	General Fund	Other State Funds	State Funds	Federal Funds	All Funds
2005-06 Results	46,495	23,228	69,723	34,618	104,341
Major Functions					
<i>Public Health:</i>					
Medicaid	503	473	976	119	1,095
Public Health (including HCRA)	116	495	611	(73)	538
<i>K-12 Education:</i>					
School Aid	1,035	383	1,418	16	1,434
School Construction (EXCEL)	0	1,800	1,800	0	1,800
All Other Education Aid	253	32	285	52	337
STAR	0	83	83	0	83
Enhanced STAR for Seniors	0	72	72	0	72
STAR Plus	0	0	0	0	0
Higher Education	716	455	1,171	13	1,184
<i>Social Services:</i>					
Welfare	(4)	0	(4)	479	475
Children and Family Services	144	12	156	(408)	(252)
Mental Hygiene	351	73	424	(35)	389
Transportation	(88)	268	180	128	308
General State Charges	438	67	505	37	542
Debt Service	39	345	384	0	384
Other Changes					
All Other (Net)*	845	(1,491)	(684)	417	(267)
2006-07 Enacted Budget	50,843	26,295	77,100	35,363	112,463
<i>Annual Dollar Change</i>	<i>4,348</i>	<i>3,067</i>	<i>7,377</i>	<i>745</i>	<i>8,122</i>
<i>Annual Percent Change</i>	<i>9.4%</i>	<i>13.2%</i>	<i>10.6%</i>	<i>2.2%</i>	<i>7.8%</i>

*See detailed table later in this section

The spending forecast for each of the State's major programs and activities follows on a program-by-program basis. In general, the forecasts are described in two parts: the first describes the current services estimate for the 2006-07 fiscal year for each major program or activity; the second summarizes the Enacted Budget actions. The combination of current services spending growth and Enacted Budget actions produce the resulting annual change in spending.

Current services disbursements from 2006-07 have been updated since the Executive Budget as more information has become available. The current services estimates are based on agency staffing levels, program caseloads, formulas contained in State and Federal law, inflation and other factors. The factors that affect spending estimates vary by program. For example, welfare spending is based primarily on

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anticipated caseloads that are estimated by analyzing historical trends, projected economic conditions, and changes in Federal law. In correctional services, spending estimates are based in part on estimates of the State's prison population, which in turn depend on forecasts of incarceration rates, release rates, and conviction rates. All projections account for the timing of payments, since not all the amounts appropriated in the budget are disbursed in the same fiscal year.

Major assumptions used in preparing the spending projections for the State's major programs and activities are summarized in the following table.

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Selected Fiscal Measures That Affect Spending Projections					
	Actual		Forecast		
	2004-05	2005-06*	2006-07	2007-08	2008-09
Economic Indicators					
Base Revenue Growth	12.0%	11.2%	8.2%	5.3%	5.3%
Inflation Rate	3.0%	3.6%	2.8%	2.6%	2.6%
Health					
Medicaid Caseload (excl. FHP)	3,531,938	3,744,808	3,893,762	4,013,762	4,137,460
Medicaid Inflation	4.1%	3.9%	3.8%	3.7%	3.7%
Medicaid Utilization	3.2%	3.7%	3.8%	3.9%	4.0%
State Takeover of County/NYC Costs (in millions)					
- Family Health Plus (in millions)	\$60	\$289	\$528	\$573	\$573
- Medicaid Cap	N/A	\$113	\$638	\$1,186	\$1,844
Education					
School Aid (School Year - in millions)	\$15,400	\$16,400	\$17,600	\$18,400	\$19,400
K-12 Enrollment	2,850,124	2,826,981	2,810,128	2,810,128	2,810,128
Public Higher Education Enrollment (FTEs)	490,916	496,189	500,070	500,070	500,070
State Tuition Assistance Recipients	336,700	343,881	343,881	343,881	343,881
Social Services					
Family Assistance Caseload	485,500	453,200	441,400	419,200	414,800
Single Adult/No Children Caseload	140,200	146,000	141,700	133,100	132,800
Mental Hygiene Community Beds	81,446	82,948	84,445	86,105	86,943
Prison Population	63,307	62,890	63,100	63,100	63,100
State Operations					
Negotiated Salary Increases ⁽¹⁾	2.5%	2.75%	3.00%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	188,925	191,400	191,275	191,675	191,675
General State Charges					
Pension Contribution Rate	7.0%	8.8%	10.2%	10.2%	10.0%
Employee/Retiree Health Insurance Increase	13.5%	8.2%	8.5%	11.4%	11.1%
State Debt					
Interest on Variable Rate Debt	1.44%	2.65%	3.25%	3.25%	3.30%
Interest on 30-Year Bonds	5.09%	5.00%	5.65%	6.00%	6.15%

*Preliminary data, subject to revision.

(1) Negotiated salary increases also include a recurring \$800 base salary adjustment effective April 1, 2007. Current contracts are generally set to expire on March 31, 2007.

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PUBLIC HEALTH

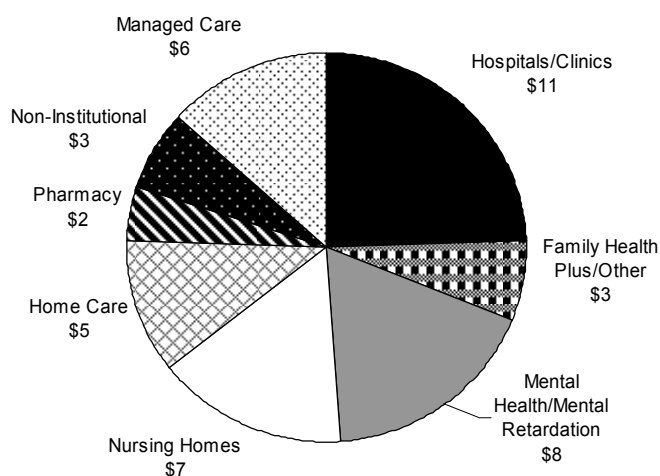
The New York State Department of Health (DOH) is responsible for statewide public health programs, including Medicaid. The DOH works closely with the local health departments, including the City of New York, to coordinate statewide health activities. DOH directly operates one hospital, four nursing homes for veterans, and three laboratories.

Medicaid

Medicaid, the largest program in the All Funds Budget, finances health care services for low-income individuals, long-term care for the elderly, and services for disabled individuals, primarily through payments to health care providers. New York's Medicaid spending, both in total and on a per capita basis, is the highest in the nation.

The Medicaid program is financed jointly by the State, the Federal government, and county governments (including New York City). The Medicaid program in New York is projected to cost roughly \$45 billion in 2006-07, including the local government share. The Federal contribution is estimated at \$22 billion (48 percent of total spending). The Federal match rate on eligible State Medicaid expenditures is 50 percent, the lowest match rate possible. The State will finance approximately \$17 billion (37 percent) across several State agencies in addition to DOH. The local governments' share of costs, which are estimated at \$7 billion (16 percent), and certain Medicaid-related costs reimbursable by the Federal government, are not included in the State spending totals.

2006-07 All Funds Medicaid Spending
\$45 Billion (All Sources)
(dollars in billions)



The 2006-07 Enacted Budget continues the "cap" on local Medicaid spending initially authorized in the 2005-06 Budget. Effective January 1, 2006, the State became responsible for financing annual cost increases for counties and New York City above a fixed level. Under this program, local expenditures for 2006 are capped at the calendar 2005 levels plus 3.5 percent. Local Medicaid expenditures will continue to be capped in the future, with the annual percentage being lowered to 3.25 percent for 2007, and 3 percent annually thereafter. The State will finance all local Medicaid spending above the capped amount. In addition, effective January 1, 2006, the State took full financial responsibility for the FHP program. County and New York City savings from these two

"takeover" actions are projected to total more than \$1.1 billion in 2006-07, an annual increase in local savings of \$764 million over 2005-06 levels.

Department of Health -- Medicaid Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	8,291	8,794	503	6.1%
Other State Support	3,231	3,704	473	14.6%
State Funds	11,522	12,498	976	8.5%
Federal Funds	18,688	18,807	119	0.6%
All Funds	30,210	31,305	1,095	3.6%

DOH Medicaid spending includes long-term care, inpatient hospital care, outpatient hospital and clinic services, prescription drugs, managed care, and FHP. The State and Federal share of Medicaid spending is principally budgeted and expended through DOH (\$31.3 billion in 2006-07), but spending also appears under the Office of Mental Health (\$293 million), the Office of Mental Retardation and Developmental Disabilities (\$1.1 billion), the Office of Alcoholism and Substance Abuse Services (\$37 million), the Office of Children and Family Services (\$33 million) and the State Education Department (\$10 million).

The 2006-07 Enacted Budget includes \$1.4 billion in General Fund savings and other cost avoidance (from the current services forecast) including a reform to prevent New York from becoming the only state in the country to provide full Medicaid coverage for prescription drugs that would otherwise not be available to dual-eligible recipients (i.e., individuals eligible for both Medicaid and Medicare) through the new Federal Medicare Part D program⁷. Other cost containment actions include savings from anti-fraud initiatives, and efforts to moderate spending growth for hospitals, nursing homes, and pharmacy costs. In the General Fund, 2006-07 Medicaid spending is projected to increase by \$503 million, or 6.1 percent, from 2005-06 after this cost containment.

State Funds spending for Medicaid is projected to total \$12.5 billion in 2006-07, an increase of nearly \$1.0 billion (8.5 percent), and includes \$3.7 billion financed outside the General Fund by HCRA resources, taxes on health care providers, and revenues collected to cover the cost of uncompensated care. HCRA resources, which include cigarette tax revenues, conversion proceeds, and surcharges and assessments on hospital revenues and insurance carriers, will finance roughly \$2.2 billion in Medicaid spending, including Medicaid pharmacy costs, a portion of the FHP Program, and other Medicaid-related programs including the Workforce Recruitment and Retention

⁷ The Federal Medicare prescription drug law requires people dually eligible for prescription drug coverage under both Medicare and Medicaid to access benefits through Medicare Part D. Under current State law, dual-eligible individuals must receive benefits comparable to Medicaid, which would require the State to provide additional benefits beyond those covered under the Federal Medicare prescription drug law.

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Program. The Provider Assessments Fund, currently supported by a partially-reimbursable 6 percent assessment on nursing home revenues and a 0.35 percent assessment on hospital revenues, is estimated to finance \$727 million. The Indigent Care Account, supported by assessments and surcharges on hospital revenues and third-party payers, is estimated to finance \$841 million to compensate providers and municipalities for the cost of providing services to uninsured people.

Department of Health -- Medicaid				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	8,291	3,231	18,688	30,210
Current Services:	1,858	252	810	2,920
Program Growth/Inflation	719	22	916	1,657
Local Medicaid Cap	525	0	0	525
Family Health Plus Takeover/Growth	239	87	168	494
HCRA Financing	317	(89)	0	228
Medicare Part D	244	0	(831)	(587)
Provider Assessments	(212)	232	0	20
Delayed Federal Aid	26	0	557	583
Enacted Actions:	(1,355)	221	(691)	(1,825)
Medicare Part D Cost Avoidance	(338)	30	0	(308)
Anti-Fraud Initiatives	(151)	0	(151)	(302)
Hospital Cost Containment	(163)	0	(163)	(326)
Nursing Home Cost Containment	(200)	62	(138)	(276)
Pharmacy Cost Containment	(172)	42	(130)	(260)
Managed Care Savings	(29)	10	(18)	(37)
Long-Term Care	(41)	(13)	(54)	(108)
Other Financing	(254)	(1)	0	(255)
All Other Actions (Net)	(7)	91	(37)	47
2006-07 Enacted	8,794	3,704	18,807	31,305
Annual Change	503	473	119	1,095

Current Services

Program Growth/Inflation: General Fund Medicaid spending, after reflecting the continuation of prior-year cost containment and the use of certain resources (e.g., drug rebate revenue), is growing due to several factors, including the increasing cost of providing health care services, the rising number of recipients, and increases in medical service utilization in hospitals, home care, and managed care programs. Other changes affecting growth include increases in managed care premiums and escalating

prescription drug prices. The number of Medicaid recipients is projected to reach almost 3.9 million in 2006-07, an increase of 3.8 percent over the 2005-06 fiscal year.

Local Medicaid "Cap" Annual Growth: As of January 1, 2006, the State began capping Local Medicaid expenditures. For calendar year 2006, the State will finance all local costs in excess of 2005 expenditures plus 3.5 percent. For calendar year 2007, local Medicaid contributions will increase by no more than 3.25 percent, and will thereafter be limited to 3 percent annually. The State projects the cost of the cap will total \$638 million in 2006-07, an increase of \$525 million over 2005-06 projections.

FHP Takeover/Growth: The State pays for FHP from the General Fund and the HCRA Resources Fund. The State began paying 50 percent of the local share of FHP in January 2005, and, effective January 1, 2006, began paying for the entire non-Federal share of the program. The FHP takeover is expected to cost \$528 million in 2006-07, an increase of \$239 million from 2005-06, and is financed entirely from the General Fund. The remaining growth in other State Funds and Federal spending is attributable to an increase in enrollment of roughly 16 percent from the prior fiscal year. Total enrollees are estimated at 658,000 in 2006-07.

HCRA Financing: Prior to Enacted Budget actions, General Fund support for HCRA had been projected to increase to meet the current services level of HCRA program operations. The current services estimate assumes that the HCRA imbalance will first be funded by the General Fund (up to the value of a transfer from the tobacco guarantee fund and a repayment of a loan between HCRA and the General Fund).

Medicare Part D: The Medicare Part D prescription drug program began on January 1, 2006. Under this new program, the Federal government no longer provides Medicaid funding for prescription drug coverage for the dually-eligible population and the states are required to remit 90 percent of their Medicaid savings related to Part D to the Federal government. Absent reform, the Part D program would result in a significant cost for New York because State law entitles dually-eligible individuals to the same prescription drug access as all other Medicaid recipients, resulting in both a Part D payment to the Federal government and a Medicaid benefit paid exclusively by the State.

In addition, in response to nationwide implementation issues, the Governor issued an emergency directive on January 13, 2006 to cover prescription drug costs for those dually-eligible individuals who are temporarily unable to access medication through the new Federal Medicare Part D program. These costs, which totaled roughly \$120 million through March 31, 2006, are expected to be fully reimbursed by the Federal government in the 2006-07 fiscal year.

Provider Assessments: A portion of the collection of the 0.35 percent assessment on hospital revenues used to finance General Fund Medicaid costs was delayed from 2005-06 to 2006-07.

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Delayed Federal Aid: Certain direct disproportionate share payments to public hospitals throughout the State were not made in 2005-06 due to a delay in Federal approval. These payments are now expected to occur in 2006-07 and include \$750 million in Federal spending and a \$26 million General Fund payment to SUNY hospitals. In addition, Federal funds available in 2005-06 through the Community Health Care Conversion Demonstration Project (\$193 million), which provide hospitals with funding to expand primary care services, managed care transactions, and worker retraining, are not expected to be available in 2006-07.

Enacted Actions

In acting on the legislative budget, the Governor vetoed over \$600 million in General Fund Medicaid additions on constitutional grounds. As described earlier, the Executive's disapproval of an item on the basis of its unconstitutionality is not subject to override by the Legislature. Even a two-thirds vote of the members of both houses cannot transform an unconstitutional budgetary item into a law that can be validly executed by State officials. Accordingly, the Enacted Budget Financial Plan spending estimates for Medicaid in 2006-07 incorporate the savings generated by the Governor's vetoes of such items. The cost containment measures, however, expire and are not included in the outyears. There can be no assurance that the Legislature or other parties will not challenge the Executive's constitutional authority concerning one or more of such items.

Medicare Part D: The Enacted Budget, effective July 1, 2006, limits supplemental drug coverage under Medicaid in most instances, consistent with the practice in other states. However, this limit will expire at the end of the 2006-07 fiscal year. Under the limit, certain medications to treat HIV/AIDS, mental illness, and organ transplants will continue to be covered under Medicaid in the event that they are not available through the Medicare Part D benefit. Comprehensive Medicaid coverage will be available for all drugs not covered by Part D until July 1, 2006 to allow a seamless transition to Part D for the dually-eligible population. In addition, the Enacted Budget preserves existing savings by authorizing auto enrollment in the Part D program for low-income individuals currently covered by the State's Elderly Pharmaceutical Insurance Program (EPIC). Such individuals will have the option to withdraw from Part D.

Anti-Fraud Initiatives: The Office of Medicaid Inspector General (OMIG) will be established administratively to bolster anti-fraud efforts and attempt to generate additional General Fund savings of roughly \$150 million. The Legislature continues to deliberate over legislation to establish an OMIG, aimed at reducing Medicaid fraud by providers and recipients, as well as initiatives to improve detection and strengthen the State's legal authority to combat fraud. Achievement of additional savings beyond the projected \$150 million is not expected to be possible unless legislation is enacted to enhance fraud fighting capabilities and establish a fixed term for the Inspector General.

Nursing Home Cost Containment: Includes eliminating an automatic increase in reimbursement rates (\$73 million), strengthening efforts to recoup delinquent nursing

home assessments (\$62 million), eliminating certain rate add-ons (\$33 million), reimbursing adult-care providers based on actual costs (\$13 million), and instituting changes in reimbursement methodologies to eliminate inappropriate incentives (\$7 million).

Pharmacy Cost Containment: Initiatives to control the rising costs of prescription drugs include strengthening components of the Preferred Drug and Clinical Drug Review Programs (\$56 million), lowering pharmacy reimbursement rates in Medicaid and additional support from HCRA (\$90 million), and eliminating coverage for erectile dysfunction drugs (\$15 million). Additional savings are realized through administrative actions, including requiring prior authorization for early refills and maximizing revenue from drug manufacturers (\$11 million).

Managed Care Savings: Includes an expansion of Medicaid managed care by mandating enrollment of Supplemental Security Income (SSI) individuals (\$17 million) and requiring certain counties to implement mandatory enrollment (\$2 million).

Long-Term Care: Initiatives include requiring spouses to contribute available assets to pay for the cost of health care services (\$34 million), extending the "look-back" period for asset transfers from 36 to 60 months for both nursing home and home care services (\$7 million), and closing additional loopholes relating to non-probate estates.

Other Financing: The use of other financing sources to fund General Fund costs in 2006-07 includes additional drug rebate revenues (\$104 million), and additional HCRA financing to preserve General Fund savings related to FHP reforms (\$22 million). In addition, a potential payment from the General Fund to HCRA is not expected to be needed in 2006-07, due to revenue enhancements in HCRA. See the "HCRA Financial Plan" herein for more information on the HCRA projections.

All Other Actions (net): The Enacted Budget advances a plan to restructure the current approach to nursing home reimbursements (\$13 million) which expires on March 31, 2007, as well as community-based initiatives to promote efficiencies and quality improvements (\$10 million), funding to support criminal-history background checks on health care workers (\$7 million), and a discontinuation of certain prior-year cost containment for long-term home health care programs (\$7 million). In addition, increased HCRA funding will provide rate add-ons for nursing homes aimed at quality improvement (\$41 million), new worker recruitment and retraining program for home care workers (\$25 million), and other program enhancements. These costs are offset by savings achieved through the elimination of payments to providers for certain non-emergency services for illegal immigrants (\$15 million), transferring funding for family planning services to the TANF block grant (\$10 million), and realizing Medicaid savings from other agencies (\$15 million).

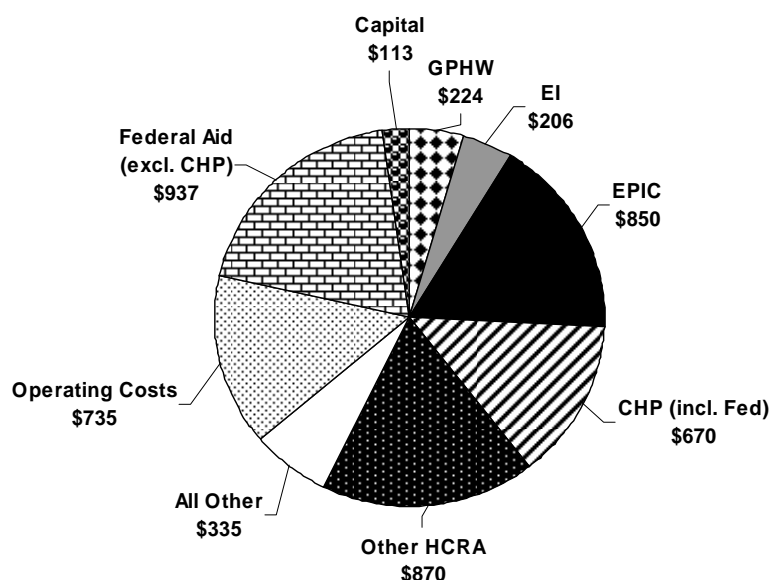
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Other Public Health Programs

Public health financing in New York comes from multiple sources including from Federal, State and local governments. Programs are also financed with revenues derived from patient care and fees associated with the DOH's general administration and oversight of public health standards, including registration, testing, and certification fees. Many public health programs are administered in conjunction with county health departments and several programs, such as Early Intervention and General Public Health Works, are financed in the first instance by the counties and subsequently reimbursed for the State share of program costs. State spending projections do not include the local government share of public health funding, but do include Federal resources that flow through the State's fund structure.

All Funds spending for public health includes the Elderly Pharmaceutical Insurance Coverage (EPIC) Program that provides prescription drug insurance to low-income seniors (\$850 million); the Child Health Plus (CHP) program that finances health insurance coverage for children of low-income families up to the age of 19 (\$670 million); the GPHW program that reimburses county health departments for the cost of providing a host of public health services (\$224 million); and the Early Intervention (EI) Program that pays for health care services to infants and toddlers under the age of three with disabilities or developmental delays (\$206 million). Public Health spending also includes approximately \$1.2 billion in HCRA funding for various programs including Graduate Medical Education, Healthy New York, and programs for people suffering from AIDS/HIV. Other spending includes Federal aid (\$937 million) for programs including the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC); operating costs including support for administrative functions, personnel, and five health care facilities (\$735 million); capital spending (\$113 million); and various other local aid programs.

**2006-07 All Funds Public Health Spending
\$4.9 Billion
(dollars in millions)**



Public Health Spending Projections				
(millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	679	795	116	17.1%
Other State Support	2,450	2,945	495	20.2%
State Funds	3,129	3,740	611	19.5%
Federal Funds	1,273	1,200	(73)	-5.7%
All Funds	4,402	4,940	538	12.2%

All Funds spending in 2006-07 for public health is projected to total \$4.9 billion, an increase of \$538 million (12.2 percent) over 2005-06. State support for public health programs and operational costs is expected to total \$3.7 billion, an annual increase of 19.5 percent in 2006-07 reflecting investments in public health programs as described later in this section. Federal aid, which is provided through the WIC program, disease prevention, health screening, and other public health programs, is expected to decline by \$73 million in 2006-07.

All Funds spending will reimburse providers and localities for a portion of the costs of operating public health programs (\$4.2 billion), and pay for DOH costs, including personal service costs (\$334 million), and operational expenses (\$401 million), as well as capital projects to maintain DOH facilities and provide assistance to aid in restructuring health care facilities (\$113 million).

2006-07 Enacted Budget

Public Health				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	679	2,450	1,273	4,402
Current Services:	37	403	(42)	398
HCRA	0	282	0	282
HEAL NY	0	136	0	136
EPIC	0	119	0	119
Early Intervention	18	0	0	18
General Public Health Works	28	0	0	28
Child Health Plus	0	19	17	36
All Other	(9)	(153)	(59)	(221)
Enacted Actions:	79	92	(31)	140
HCRA	0	144	0	144
General Public Health Works	4	0	0	4
Human Services COLA	7	0	0	7
Early Intervention	2	0	0	2
EPIC	50	(73)	0	(23)
All Other	16	21	(31)	6
2006-07 Enacted	795	2,945	1,200	4,940
Total Annual Change	116	495	(73)	538

Current Services

Health Care Reform Act: Spending increases for various HCRA financed programs, including Graduate Medical Education, Healthy New York, AIDS Drug Assistance Program, cancer services, and the pay for performance demonstration program.

Health Care Efficiency and Affordability Law for New Yorkers (HEAL NY) Capital Grant Program: Reflects annualized increases and accelerated capital spending from the initial five-year, \$1 billion plan enacted in 2005-06, including \$25 million for the Roswell Park Cancer Institute.

Elderly Pharmaceutical Insurance Coverage: Growth reflects the rising cost of prescription drugs and increasing enrollment, which is projected to reach 372,000 in the upcoming fiscal year.

Early Intervention: Growing costs are primarily due to increased enrollment and the level of projected State reimbursement. In 2006-07, program enrollment is expected to increase to 76,000 -- an increase of roughly 374 children from 2005-06.

General Public Health Works: State reimbursement to local governments for the cost of public health services is projected to increase.

Child Health Plus: Higher costs on an All Funds basis are related to increases in the cost of providing services and a projected enrollment increase in 2006-07.

All Other: All other changes primarily include a decline in estimated Federal aid, as well as operating and personal service costs, increased capital spending, and program growth in various other public health programs.

Enacted Actions

Health Care Reform Act: The Enacted Budget includes targeted investments for anti-tobacco programs and cancer research at Roswell Park Cancer Institute (\$55 million), Physicians Excess Medical Malpractice (\$65 million), stockpiling medications and supplies for Avian Flu (\$29 million), and various other new programs including funding for home care providers to recruit and retain workers, the Capital Adirondack Network for Cancer Education and Research in Rural Communities, and Infertility Services.

General Public Health Works: Increased the reimbursement rate for optional services from 30 percent to 36 percent and a \$100,000 increase to the county base grant.

Human Services Cost of Living Adjustment (COLA): A 2.5 percent cost-of-living adjustment for various public health and AIDS programs.

Early Intervention: Continuation of respite services for children within the EI program.

Elderly Pharmaceutical Insurance Coverage: Reflects a shift of funding from HCRA to the General Fund and savings from auto-enrolling certain low income EPIC enrollees into Medicare Part D.

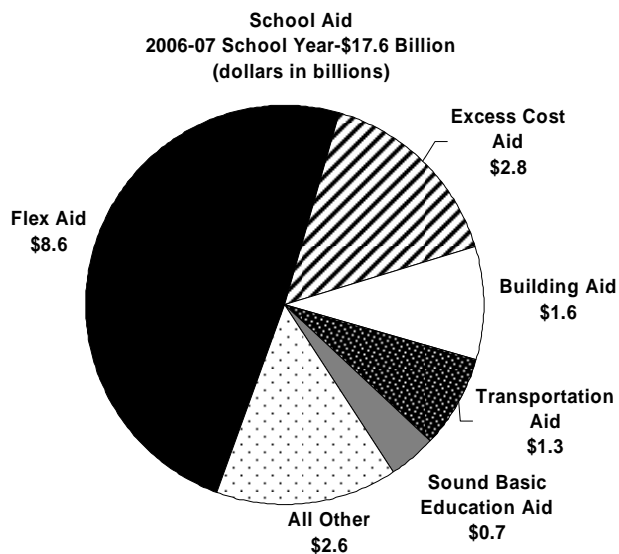
All Other: Other Enacted actions include funding for various new programs including the design and construction of an umbilical cord blood bank facility, a health information technology program (HIT), as well as additional funding for family planning services and school based health centers. In addition, savings are generated through the use of non-General Fund resources to fund certain programs and various administrative improvements.

2006-07 Enacted Budget

K-12 EDUCATION

School Aid

School aid, the single largest program in the General Fund, helps finance elementary and secondary education for New York pupils enrolled in nearly 680 school districts throughout the State. State funding is provided to districts based on statutory aid formulas and through reimbursement for various categorical programs. In New York, approximately 45 percent of spending on education by local school districts is funded by the State, 47 percent by local revenues, and 8 percent by Federal aid.



State funding for schools assists districts in meeting locally defined needs, supports the construction of school facilities, and finances school transportation for approximately 3 million students statewide.

Federal funding supplements State and local school aid, and represents approximately 15 percent of projected All Funds cash disbursements, which excludes local funding. Federal aid supports a range of services for disadvantaged children, including free and reduced-price meals.

In 2003, the State Court of Appeals ruled in *Campaign for Fiscal Equity v. State of New York* that the State's school financing system failed to provide students in New York City with an opportunity for a "sound basic education," and deemed this a violation of the State Constitution. In an effort to comply with the State Court of Appeals ruling, the State initiated the Sound Basic Education (SBE) Aid program in 2005-06. The 2006-07 Budget includes \$700 million in SBE Aid for the 2006-07 school year, of which approximately 60 percent is for New York City (an increase of roughly \$225 million in 2006-07). Approximately 40 percent of "traditional" school aid is also provided to New York City.

To directly address the New York City school construction funding directed by the Court, the Enacted Budget authorizes \$11.2 billion to support school construction specifically in New York City. The \$11.2 billion consists of \$1.8 billion in school construction aid and the authorization for the New York City Transitional Finance Authority to issue \$9.4 billion in bonds for school construction supported in part by a

pledge of State building aid payments. In addition to the \$1.8 billion in capital grants authorized for New York City school construction, the Enacted Budget also authorizes \$400 million for other "high needs" school districts and \$400 million for other school districts. Litigation in this case continues. The Campaign for Fiscal Equity (CFE) litigation is described in more detail in the section entitled "Reserves and Risks" in this Financial Plan.

School Aid Spending Projections: State Fiscal Year				
(millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	13,500	14,535	1,035	7.7%
Other State Support	2,276	4,459	2,183	95.9%
State Funds	15,776	18,994	3,218	20.4%
Federal Funds	2,774	2,790	16	0.6%
All Funds	18,550	21,784	3,234	17.4%

School aid spending is reported on both a school year basis (July 1 through June 30) and a State fiscal year basis (April 1 through March 31). The State 2006-07 fiscal year amount includes funding for the final three months of the 2005-06 school year and the first nine months of the 2006-07 school year.

On a school year basis, State support for school aid is recommended at \$17.6 billion in 2006-07 (excluding Federal aid), an increase of nearly \$1.3 billion (7.7 percent) over the current school year. Major components of the \$17.6 billion school year recommendation include Flex Aid (\$8.6 billion), Excess Cost Aid (\$2.8 billion), Building Aid (\$1.6 billion), Transportation Aid (\$1.3 billion), and SBE Aid (\$700 million).

In State fiscal year 2006-07, All Funds spending for school aid is projected to total \$21.8 billion and includes General Fund support of \$14.5 billion, other State funds supported primarily by the Lottery Fund of \$2.6 billion, the EXCEL capital program of \$1.8 billion, and Federal aid of \$2.8 billion. Federal aid supports a range of services for disadvantaged children, including free and reduced-price meals.

2006-07 Enacted Budget

School Aid				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	13,500	2,276	2,774	18,550
Current Services:	272	32	16	320
Balance of 2005-06 School Year	207	0	0	207
Reclassification of Certain Education Aid	65	0	0	65
RESCUE Program	0	32	0	32
Federal Funds	0	0	16	16
Enacted Actions:	763	2,151	0	2,914
EXCEL Capital Construction Program	0	1,800	0	1,800
School Aid (70 Percent of School Year Increase)	763	88	0	851
Sound Basic Education Aid	0	263	0	263
2006-07 Enacted	14,535	4,459	2,790	21,784
Annual Change	1,035	2,183	16	3,234

Current Services

Balance of 2005-06 School Year Increase: School aid commitments are made on a July 1 starting school-year basis. This amount represents the "tail" of payments related to the 2005-06 school year increase of over \$1 billion, but payable in the State's 2006-07 fiscal year.

Reclassification of Certain Education Aid: Funding for prior year claims and education costs for Native American children residing on reservations will be reflected in the School Aid estimates. These amounts were previously reflected in the "Other Education Aid" section.

Rebuilding Schools to Uphold Education (RESCUE) Program: Spending represents school-related capital projects, expected to be completed under the RESCUE program in 2006-07.

Federal Funds: Federal aid is projected to remain essentially flat in 2006-07.

Enacted Actions

EXCEL Capital Construction Program: During fiscal year 2006-07, the State expects to finance \$1.8 billion of the \$2.6 billion EXCEL program. The program provides \$1.8 billion for school construction financing to New York City, \$400 million to other "high needs" school districts, and \$400 million to all other school districts based on a per-pupil formula. Consistent with current accounting treatment, this spending is reflected only in the State's GAAP accounting results, not on a budgetary basis of reporting. However,

for transparency purposes, the Financial Plan reflects this and other capital spending for programs financed in the first instance by bond proceeds in the specific programmatic area of responsibility. The overall Financial Plan is subsequently adjusted to account for this spending only in the GAAP, rather than the cash-basis, results.

School Aid: The Enacted Budget increases total funds for school aid by nearly \$1.3 billion on a school year basis, or by an additional \$763 million on a fiscal year basis. The total annual increase includes higher funding for Excess Cost Aid (\$125 million), Transportation Aid (\$99 million), Building Aid (\$92 million), Flex Aid (\$85 million), and Tax Limitation Aid (\$77 million), as well as additional funding for other categorical and formula-based programs.

Sound Basic Education Aid Program (SBE): The Enacted Budget includes \$700 million for SBE Aid in the 2006-07 school year, an increase of \$375 million from 2005-06. In 2006-07, SBE Aid is expected to be funded by revenues generated by VLTs at State racetracks (\$470 million) supplemented by one-time General Fund resources (\$230 million). The \$700 million will be disbursed to school districts for SBE Aid consistent with the methodology used to determine the enacted 2005-06 allocations.

STAR Program

The School Tax Relief (STAR) program provides school tax relief to taxpayers across New York. The three components of STAR, and their approximate shares in 2005-06 are: the basic school property tax exemption for homeowners (58 percent), the enhanced school property tax exemption for eligible senior citizen homeowners (22 percent), and a flat refundable credit and rate reduction for New York City resident personal-income taxpayers (20 percent).

STAR Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Other State Support	3,213	3,368	155	4.8%
All Funds	3,213	3,368	155	4.8%

Spending for the STAR program, which reflects reimbursements made to school districts to offset the reduction in property tax revenues, appears in other State Funds and is financed with a portion of personal income tax collections.

2006-07 Enacted Budget

Spending for STAR is expected to total \$3.4 billion in 2006-07, comprised of \$1.9 billion for the basic property tax exemption, \$754 million for the enhanced property tax exemption, and \$668 million for the New York City personal income tax component. The annual changes are described in more detail below.

STAR/STAR Plus Sources of Annual Spending Increase/(Decrease) (millions of dollars)	
	All Funds
2005-06 Results	3,213
Current Services:	83
Basic Property Tax Exemption	108
Enhanced Property Tax Exemption	(1)
New York City Personal Income Tax Relief	(24)
Enacted Actions:	72
Enhanced STAR for Seniors	72
2006-07 Enacted	3,368
Annual Change	155

Current services spending for the property tax components of STAR in 2006-07 is projected to grow over 2005-06 results based on higher participation rates, property tax rates, and property values. This growth is partially offset by an expected decline in the New York City Personal Income Tax (PIT) component due to an adjustment in estimates of incomes and income tax liabilities for the previous three fiscal years. The 2006-07 New York City PIT estimate reflects continued growth in incomes and liabilities.

Enacted Actions

Enhanced STAR for Seniors: The Enacted Budget adjusts the enhanced STAR exemption for seniors for increases in the cost of living since the full implementation of STAR in 2001, valued at a 13.6 percent increase. This retrospective cost-of-living adjustment will increase spending by \$72 million in 2006-07.

Other Education Programs

In addition to school aid, education funding is provided for special education services and other programs. Other education categories include elementary, middle, secondary and continuing education; cultural education; higher and professional education programs; and Vocational and Educational Services for Individuals with Disabilities (VESID). Major programs under elementary, middle, secondary and continuing education address specialized student needs or reimburse school districts for

education-related services, including the School Lunch and Breakfast Program, non-public school aid and various special education programs. In special education, New York provides a full spectrum of services to over 400,000 students from ages 3 to 21. Higher and professional education programs monitor the quality and availability of post-secondary education programs and regulate the licensing and oversight for 47 professions.

Other Education Aid Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	1,490	1,743	253	17.0%
Other State Support	109	141	32	29.4%
State Funds	1,599	1,884	285	17.8%
Federal Funds	876	928	52	5.9%
All Funds	2,475	2,812	337	13.6%

All Funds spending includes funding for special education services (\$1.7 billion), other education programs (\$760 million), and State operating costs (\$336 million). The annual changes are described in more detail below.

Other Education Aid Sources of Annual Spending Increase/(Decrease) (millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	1,490	109	876	2,475
Current Services:	145	17	52	214
Special Education Program Costs	85	0	0	85
Timing of Program Spending	70	0	0	70
Federal Aid	0	0	52	52
Higher Education Capital Matching Grant	0	10	0	10
Reclassification of Certain Education Aid	(26)	0	0	(26)
Other Changes	16	7	0	23
Enacted Actions:	108	15	0	123
Legislatively-directed Initiatives	81	0	0	81
Library Aid	6	7	0	13
Science and Technology Entry Programs	6	0	0	6
Cultural Education	0	5	0	5
All Other Actions	15	3	0	18
2006-07 Enacted	1,743	141	928	2,812
Annual Change	253	32	52	337

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Current Services

Special Education Programs: The projected increase reflects growth in program costs and enrollment in the preschool special education program (\$34 million), summer school special education (\$49 million), and operating costs at private schools which serve the blind and deaf (\$2 million).

Timing of Program Spending: Spending for certain education programs including legislatively-directed initiatives (\$27 million), prior-year claims (\$24 million), vocational services (\$15 million), and other programs (\$4 million), that was expected to occur in 2005-06 is now projected for 2006-07.

Federal Aid: Federal support for the Individuals with Disabilities Education Act program and vocational services is expected to grow in 2006-07.

Higher Education Capital Matching Grant: Reflects anticipated disbursements in 2006-07 for this capital program enacted in 2005-06 intended to finance infrastructure improvements for private colleges and universities.

Reclassification of Certain Education Aid: Funding for prior-year claims and the funding for education of Native American children on reservations are now classified as school aid.

Other Changes: The changes are attributable primarily to anticipated higher cash disbursements for expense-based programs such as the school lunch and breakfast program and non-public school aid, and the timing of spending for capital projects.

Enacted Actions

Legislatively-directed Initiatives: The Enacted Budget includes \$81 million in additional funding for legislative member-directed education-related programs.

Library Aid: Additional operating aid is provided to libraries, bringing total library aid to \$95 million including \$3 million in one-time aid increase. In addition, the budget provides for the disbursement of \$7 million from capital funds for construction aid.

Science and Technology Entry Programs: Funding is provided to help increase the number of under-represented students who pursue college-level programs in math, science, and technology.

Cultural Education: Funding is provided for projects to enhance public display of the collections and exhibits of the State museum, library, and archives.

All Other Actions: Reflects increases in funding for State Education Department programs including public broadcasting, vocational services, math and science high schools, and agency operations.

HIGHER EDUCATION

Higher education includes administrative and programmatic costs for SUNY, CUNY, and the Higher Education Services Corporation (HESC). The higher education budget is almost entirely supported by a combination of the General Fund, tuition revenues, and various fees.

The SUNY system is the largest public university system in the nation with 64 campuses, including 30 community colleges, offering a range of academic, professional and vocational programs. Currently, there are over 413,000 SUNY students pursuing studies ranging from one-year certificates to doctoral degrees.

The CUNY system is the third largest public university system in the nation and provides higher education with a focus on the urban community of New York City. The State has full financial responsibility for CUNY's senior college operations, and works in conjunction with the City of New York to support CUNY's community colleges. Approximately 221,000 full-time and part-time students are currently enrolled in degree programs at CUNY.

HESC is responsible for administering the TAP grant awards to income-eligible students and for providing centralized processing of other student financial aid programs. The Corporation also provides prospective students with information and guidance on how to finance a college education. The financial aid programs that the Corporation administers are funded by the State and the Federal government.

Higher Education Spending Projections				
(millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	2,756	3,472	716	26.0%
Other State Support	3,963	4,418	455	11.5%
State Funds	6,719	7,890	1,171	17.4%
Federal Funds	161	174	13	8.1%
All Funds	6,880	8,064	1,184	17.2%

All Funds spending of \$8.1 billion in 2006-07 comprises \$5.5 billion for SUNY, \$1.6 billion for CUNY, and \$1.0 billion for HESC. Another \$595 million for CUNY is paid from a State fiduciary fund (outside the All Governmental Funds Financial Plan) that consists primarily of senior college tuition revenues. The annual changes are described in more detail in the following table.

2006-07 Enacted Budget

Higher Education				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	2,756	3,963	161	6,880
Current Services:	658	226	13	897
CUNY Senior College Payments	428	0	0	428
SUNY/CUNY Capital Programs/Equipment Purchases	13	172	0	185
SUNY/CUNY/HESC Inflation and Salaries	70	85	0	155
SUNY Energy/Operating Costs	71	0	0	71
SUNY Stabilization Account	32	0	0	32
Tuition Assistance Program (TAP)	31	(31)	0	0
All Other Services	13	0	13	26
Enacted Actions:	58	229	0	287
TAP Reforms	(49)	0	0	(49)
SUNY/CUNY Capital	0	229	0	229
SUNY/CUNY Operating Aid	35	0	0	35
SUNY/CUNY Community College Aid	30	0	0	30
SUNY Faculty	18	0	0	18
SUNY/CUNY Empire Innovation	5	0	0	5
SUNY Research Center	4	0	0	4
SUNY Educational Opportunity Programs	4	0	0	4
SUNY High Need Programs	3	0	0	3
All Other Actions	8	0	0	8
2006-07 Enacted	3,472	4,418	174	8,064
Annual Change	716	455	13	1,184

Current Services

CUNY Senior College Payments: Reflects a return to the expected subsidy payments to New York City.

SUNY/CUNY Capital Programs/Equipment Purchases: Annual growth in spending reflects continued implementation of the multi-year capital programs at SUNY and CUNY. An Enacted Budget supplement to the current capital spending program for public universities is described in more detail below.

SUNY/CUNY/HESC Inflation and Salaries: Funding for salary increases resulting from collective bargaining agreements and inflationary increases at SUNY, CUNY, and HESC.

SUNY Energy/Operating Costs: Reflects annualized value associated with higher energy costs and other costs to operate SUNY facilities.

SUNY Stabilization Account: Reflects the reservation of funds through transfer to the stabilization account during 2005-06 for services and expenses at various campuses.

Tuition Assistance Program (TAP): Reflects a return to General Fund support after corporation fund balances were used in 2005-06 to help support the cost of the TAP program.

All Other Services: The estimated increase primarily reflects enrollment growth as well as other cash adjustments and annualizations.

Enacted Actions

TAP Reforms: The Budget strengthens eligibility criteria for TAP, including providing TAP awards for accelerated study only to students who have earned 24 credit hours in the two preceding semesters (\$40 million), and requiring institutions to pre-finance awards provided to first-time TAP applicants in 2006-07 who are admitted without having a high school diploma or GED and have not passed an independently administered "Ability to Benefit" test (\$9 million).

SUNY/CUNY Capital: Adds \$229 million in 2006-07 (and a total of \$750 million over five years) to the current multi-year capital investment programs for SUNY and CUNY, bringing the multi-year capital plan to \$3.9 billion for SUNY and \$1.8 billion for CUNY.

SUNY/CUNY Operating Aid: The State's operating subsidy is increased for SUNY (\$20 million) and CUNY (by \$15 million) senior colleges.

SUNY/CUNY Community College Aid: The Enacted Budget increases community college base aid by \$175 per full-time student. As a result, community college base aid will increase from \$2,350 in 2005-06 to \$2,525 in 2006-07.

SUNY Faculty: The Enacted Budget adds funding for SUNY to hire more full-time faculty.

SUNY/CUNY Empire Innovation: Additional funding for the new Empire Innovation Program, which supports critical research projects and other academic programs.

SUNY Research Center: Provides funding for the creation of the Center for Biomedical Research and Technology Development to be located at the State University at Albany's East Campus in Rensselaer.

Educational Opportunity Programs: Reflects a 10 percent increase in funding for higher education opportunity programs.

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SUNY "High Need" Programs: Adds funding for the expansion of programs for which there is a demonstrated economic development or public health need.

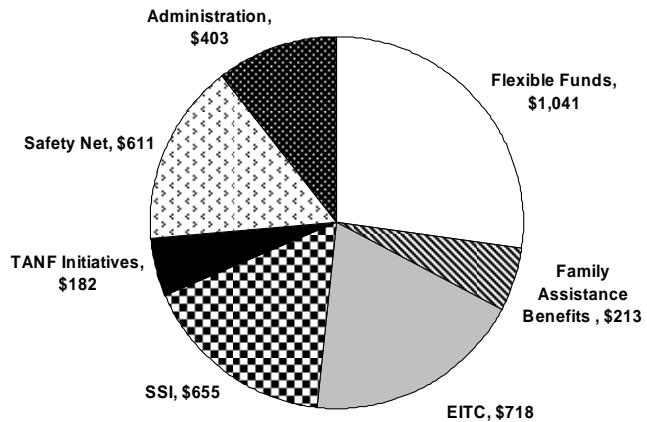
All Other Actions: The Budget includes additional funding for the nursing faculty scholarship and loan forgiveness programs; aid for contract courses geared toward workforce development and offered at SUNY and CUNY community colleges; and for educational opportunity centers.

SOCIAL SERVICES

Welfare

Welfare programs provide benefits to poor families in the form of cash grants, child welfare services, tax credits for eligible low-income workers, and employment services. The State's three main programs include Family Assistance, Supplemental Security Income (SSI) and Safety Net. The Family Assistance program, which is financed jointly by the State, the Federal government, and local districts, provides employment assessments, support services and time-limited cash assistance to eligible families and children. Under the Federal SSI program, the State adds a supplement to the Federal benefit for the elderly, visually handicapped, and disabled. The Safety Net Assistance program provides cash assistance and employment services for single adults, childless couples, and families that have exhausted their five-year limit on Family Assistance imposed by Federal law and is financed jointly by the State and local districts. In addition, the State reimburses the local governments for the cost of administering welfare programs.

**2006-07 All Funds Welfare Spending
\$3.8 Billion
(dollars in millions)**



Federal assistance for welfare programs is provided through the Temporary Assistance for Needy Families (TANF) block grant, which also helps finance the State's Earned Income Tax Credit (EITC) for low-income workers and a Flexible Fund for Family Services. Local districts are able to use the Flexible Fund for any federally allowable TANF purpose including child welfare, child care, and local district administration. A total of roughly \$90 million in TANF remains uncommitted.

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Welfare/Welfare Administration Spending Projections				
(millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	1,251	1,247	(4)	-0.3%
State Funds	1,251	1,247	(4)	-0.3%
Federal Funds	2,097	2,576	479	22.8%
All Funds	3,348	3,823	475	14.2%

In terms of 2006-07 All Funds spending, major welfare programs include the State's EITC (19 percent), Supplemental Security Income (17 percent), Safety Net (16 percent), the Flexible Fund (27 percent), administration (11 percent), Family Assistance benefits (6 percent), and TANF initiatives (5 percent).

The public assistance caseload is projected to total 583,100 in 2006-07, a decrease of 16,100 from 2005-06. Approximately 295,100 families are expected to receive benefits through the Family Assistance program, a decrease of 13,500 from the prior year. In the Safety Net program, an average of 146,300 families are expected to be assisted in 2006-07, an increase of 1,700. The caseload for single adults/couples supported through the Safety Net program is projected at 141,700, a decrease of 4,300.

Welfare/Administration			
Sources of Annual Spending Increase/(Decrease)			
(millions of dollars)			
	General Fund	Federal Funds	All Funds
2005-06 Results	1,251	2,097	3,348
Current Services:	59	391	450
Welfare Consolidation	0	377	377
TANF Initiatives	0	74	74
SSI Adult Home Reclassification	26	0	26
Operational Costs	22	0	22
Caseload	11	(60)	(49)
Enacted Actions:	(63)	88	25
TANF Performance Bonus	(44)	44	0
TANF Reprogramming	(44)	44	0
Public Assistance Work Rate Incentive	(11)	0	(11)
Funding for Local Administration	25	0	25
Two-Parent Safety Net Funding	5	0	5
Welfare Initiatives	3	0	3
All Other	3	0	3
2006-07 Enacted	1,247	2,576	3,823
Annual Change	(4)	479	475

Current Services

Welfare Consolidation: The 2005-06 Enacted Budget consolidated all TANF spending in the Office of Temporary and Disability Assistance (OTDA). The 2006-07 increase reflects the full annualization of this action, which began partly through the 2005-06 fiscal year.

TANF Initiatives: The increase in Federal Funds spending is due to higher spending on the Flexible Fund for Family Services.

Supplemental Security Income Adult Home Reclassification: The State supplement for Supplemental Security Income recipients in adult care facilities, which was enacted mid-way through 2005-06, is reaching its full annual value.

Operational Costs: Reflects an increase in the expected operational costs associated with the public assistance program.

Caseload: Although the Enacted Budget reflects a projected decline of 11,800 in the combined family caseload (i.e., Family Assistance and Safety Net families) and 4,300 in the “non-family” Safety Net caseload, the State expects an increase in General Fund

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caseload-related costs due to an anticipated court decision mandating the retroactive reimbursement of benefits to all recipients affected by the 2004-2005 regulatory change in eligibility determination. The family caseload supported by the TANF block grant and related expenditures are expected to drop, resulting in a reduction in Federal spending.

Enacted Actions

TANF Performance Bonus: The State received a Federal fiscal year 2005 TANF "bonus" from the Federal government for a decrease in the State's rate of teenage out-of-wedlock pregnancies, an increase in job entries, and an increase in "family formation." The bonus will be used to finance State welfare costs.

TANF Reprogramming: The amount of TANF funding available to finance General Fund public assistance spending is expected to increase in 2006-07 due to a decrease in the amount of TANF used for legislative initiatives.

Public Assistance Work Rate Incentive: State reimbursement for administrative costs is reduced for local districts that fail to achieve State-mandated work participation rates for their public assistance population. The savings are being reinvested in the Local Administration Fund (see below).

Funding for Local Administration: An increase in the State reimbursement for local administrative services related to public assistance, food stamps, and employment results in higher General Fund costs. This increase is partially attributable to the work rate incentive bonus which will provide local districts with funding to pursue initiatives that address the needs of public assistance recipients with multiple barriers to employment or self-sufficiency, such as drug addiction or mental instability.

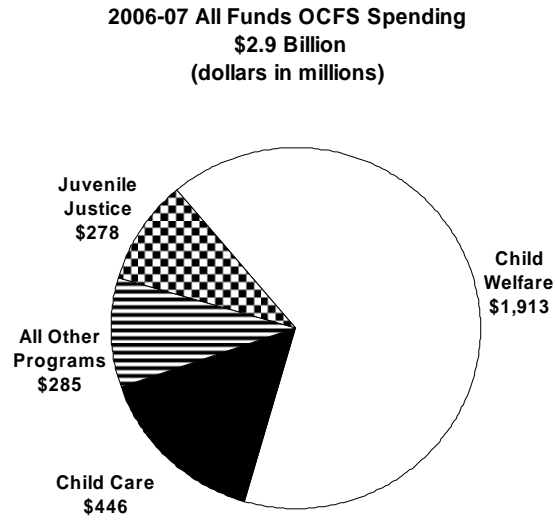
Two-Parent Safety Net Funding: Two-parent families funded by TANF in prior years may now be paid for through the Safety Net Program.

Welfare Initiatives: General Fund support for various welfare initiatives, including employment programs and food pantries.

All Other Budget Actions: Supplemental Security Income and Safety Net costs are projected to increase as a result of the NY/NY III supportive housing agreement (\$2 million) and additional funding is projected for the home visiting program (\$1 million).

Office of Children and Family Services (OCFS)

The Office of Children and Family Services (OCFS) provides funding for foster care, adoption, child protective services, delinquency prevention, and child care. OCFS oversees the State’s system of family support and child welfare services administered by local departments of social services and community-based organizations. Specifically, child welfare services, which are financed jointly by the Federal government, the State, and local districts, are structured to encourage local governments to invest in preventive services to reduce out-of-home placement of children.



In addition, the State Child Care Block Grant, which is also financed by a combination of the Federal, State and local governments, supports child care subsidies for families receiving public assistance and low-income families. The youth facilities program serves youth directed by family or criminal courts to be placed in residential facilities.

Federal funding for OCFS programs is provided through the Flexible Fund for Family Services, Federal Title IV-E Foster Care and Adoption Assistance payments, the Federal Child Care and Development Fund, and the Title XX Social Services Block Grant.

Children and Family Services Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	1,435	1,579	144	10.0%
Other State Support	22	34	12	54.5%
State Funds	1,457	1,613	156	10.7%
Federal Funds	1,717	1,309	(408)	-23.8%
All Funds	3,174	2,922	(252)	-7.9%

All Funds spending for OCFS is primarily for child welfare (65 percent), child care (15 percent) and juvenile justice services including delinquency prevention, youth facilities and local detention facilities (10 percent). The annual changes are described in the following table.

2006-07 Enacted Budget

Children and Family Services				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	<u>General Fund</u>	<u>Other State Funds</u>	<u>Federal Funds</u>	<u>All Funds</u>
2005-06 Results	1,435	22	1,717	3,174
Current Services:	88	10	(408)	(310)
TANF Welfare Consolidation	0	0	(377)	(377)
Increased Program Costs	47	10	10	67
Federal Reimbursement for State Operations	41	0	(41)	0
Enacted Actions:	56	2	0	58
Child Welfare Services	30	0	0	30
Human Services COLA	15	0	0	15
Child Welfare Collaboration	5	0	0	5
Mental Health Program Expansion	2	0	0	2
State Operations	(5)	0	0	(5)
All Other	9	2	0	11
2006-07 Enacted	1,579	34	1,309	2,922
Total Annual Change	144	12	(408)	(252)

Current Services

TANF Welfare Consolidation: As described in the welfare section, the 2005-06 Enacted Budget consolidated all TANF spending in OTDA, including TANF spending for both the Child Care and the Title XX Social Services Block Grants. The decrease in OCFS reflects the full annualization of this action.

Increased Program Costs: General Fund spending increases are due to upward revisions in local assistance payments, primarily for expected State reimbursements to local districts for child welfare, adult protective domestic violence, Persons in Need of Supervision (PINS) and committees on special education spending (\$32 million), and increases in State operations spending, mostly for salary increases and operational costs (\$16 million).

Federal Reimbursement for State Operations: The amount of Federal aid available to finance agency operations will return to prior-year levels from a one-time increase in 2005-06.

Enacted Actions

Child Welfare Services: Additional funding is provided for several child welfare initiatives including caseload reduction (\$5 million), caseworker training and education (\$5 million), preventive services (\$5 million), child advocacy centers (\$3 million), home visiting (\$3 million), and quality improvement (\$2 million).

Human Services Cost-of-Living Adjustment: The Budget authorizes a cost-of-living increase for workers in foster care (\$9 million), preventive services (\$4 million), and adoption programs (\$2 million).

Child Welfare Collaboration: This initiative creates a local demonstration program to coordinate the identification and treatment of substance abuse issues in families within the child welfare system.

Mental Health Program Expansion: Funding will expand access to mental health services for mentally ill children in foster care or those at risk of institutional placement.

State Operations: The Budget authorized increased use of State staff instead of contractors to provide information technology functions for OCFS programs, and the replacement of temporary staff with permanent staff for the child abuse hotline and other services, actions which are expected to generate net savings of \$4 million. Additionally, OCFS will use available Federal funding to help support agency operations (\$1 million).

All Other Enacted Actions: The Enacted Budget provides increased funding for several OCFS programs including the United Way Statewide 211 system (\$3 million), day care worker retention (\$4 million), delinquency prevention (\$2 million), and settlement houses (\$1 million). Other programs supported in the Enacted Budget at higher levels than 2005-06 include home visiting, runaway and homeless youth and child advocacy centers. Additional funding is also provided for the Hoyt Memorial Trust Fund (\$2 million) and the Boys and Girls Club (\$1 million).

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MENTAL HYGIENE

The Department of Mental Hygiene comprises three independent agencies - the Office of Mental Health (OMH), the Office of Mental Retardation and Developmental Disabilities (OMRDD), and the Office of Alcoholism and Substance Abuse Services (OASAS). Services are administered to individuals with mental illness, developmental disabilities, and chemical dependence through institutional and community-based settings. Specifically, OMH plans and operates an integrated system of mental health care that serves adults with serious and persistent mental illness and children with serious emotional disturbances. OMRDD serves individuals with developmental disabilities and their families. OASAS licenses and evaluates service providers and implements programs for the prevention, early intervention, treatment, and recovery from chemical dependence and compulsive gambling.

All three agencies provide services directly to their patients in State-operated facilities and indirectly through a network of community-based service providers, and receive reimbursement from Medicaid, Medicare and third-party insurance, commonly referred to as patient revenues. Patient revenues are pledged first to the payment of debt service on outstanding Mental Hygiene bonds, with the remaining revenues deposited into the Patient Income Account (PIA) and used to support a portion of General Fund costs of providing services.

Mental Hygiene Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	2,522	2,873	351	13.9%
Other State Support	493	566	73	14.8%
State Funds	3,015	3,439	424	14.1%
Federal Funds	2,745	2,710	(35)	-1.3%
All Funds	5,760	6,149	389	6.8%

By agency, All Funds spending is projected to total \$3.1 billion in OMRDD, \$2.5 billion in OMH and \$535 million in OASAS. The State share of Medicaid spending included in the Department of Mental Hygiene is projected to total \$1.4 billion in 2006-07. The annual increase in Mental Hygiene agencies is described in more detail below.

Mental Hygiene				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	2,522	493	2,745	5,760
Current Services:	453	37	(211)	279
State Operations Program Growth	423	0	(211)	212
Local Services	30	53	0	83
All Other Changes	0	(16)	0	(16)
Enacted Actions:	(102)	36	176	110
Patient Income Account Actions	(133)	20	176	63
Operational Efficiencies	(54)	0	0	(54)
OMH Initiatives	38	6	0	44
Human Service COLA	18	0	0	18
OASAS Initiatives	20	0	0	20
Capital Programs	0	10	0	10
OMRDD Initiatives	9	0	0	9
2006-07 Enacted	2,873	566	2,710	6,149
Total Annual Change	351	73	(35)	389

Current Services

State Operations Program Growth: General Fund spending grows as a result of a projected decline in PIA revenues (\$211 million); funding for collective bargaining agreements, inflation, staffing increases, and other operational costs (\$193 million); and the annualization of costs of the Sexually Violent Predator Civil Commitment Initiative (\$19 million).

Local Services: Projected increases in commitments and mandates, including the NYS-CARES and NYS-OPTS programs in OMRDD and OMH's community bed expansion.

All Other Changes: A projected decline in capital projects spending accounts for the majority of other State funds cost decreases.

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Enacted Actions

PIA Actions: State actions to generate higher Federal aid include enhanced trend factors, Medicaid rate adjustments, additional revenues for inpatient billings and provider health care costs, and billing for pharmacy costs under Medicare Part D. These actions are expected to increase the amount of patient care revenues available to support what would otherwise be General Fund costs in 2006-07.

Operational Efficiencies: Provider audits and recoveries, managing community bed development, and other local program cash management actions are expected to generate \$42 million in savings. In addition, State Operations efficiencies achieved through continued vacancy and staffing controls aimed at reducing excessive overtime will reduce costs by a projected \$12 million.

OMH Initiatives: The Enacted Budget redirects expected savings generated from budget actions to fund several initiatives including children's mental health programs (\$14 million), operating costs associated with the NY/NY III supportive housing agreement (\$8 million), establishment of a geriatric mental health grant program (\$2 million) and implementation of a statewide suicide prevention program (\$2 million). Other initiatives include increased capital funding for the St. Lawrence Psychiatric Center, and added funding for various programs and services in OMH, including non-Medicaid mental health services for children and adults, funding enhancements primarily for non-COPS (Comprehensive Outpatient Program Services) providers, and Family Support programs. Funding was also added for nine research scientists at the New York Psychiatric Institute and the Nathan Kline Institute.

Human Services Cost-of-Living Adjustment: The Budget includes a 2.5 percent cost-of-living increase for OMH (\$11 million), OASAS (\$4 million) and OMRDD (\$3 million) service providers.

OASAS Initiatives: Savings generated from other budget actions will be redirected to fund initiatives including enhancing chemical dependence treatment to reduce parolee recidivism rates (\$3 million), establishing outpatient detoxification clinics in homeless shelters (\$3 million), developing a chemical dependence treatment program for veterans (\$2 million), combating underage drinking with an education and prevention campaign (\$2 million), and piloting new adolescent outpatient treatment models (\$2 million). Other actions in OASAS include delaying implementation of a new reimbursement methodology for a select number of providers until April 2007, funding for various initiatives such as methamphetamine prevention and demonstration programs, and prevention and treatment service programs. Funding was also added for not-for-profit service providers.

Capital Programs: Additional capital program funding is proposed for the ongoing development of additional community beds.

OMRDD Initiatives: The initiatives include enhanced quality of care for individuals with dual diagnoses of mental illness and developmental disabilities (\$0.7 million) and expanded services to autistic children (\$3.2 million). Other actions include funding for a direct care recruitment and retention pilot program, the Cody Center for Autism and Developmental Disabilities, Cerebral Palsy Camp Jened, Westchester Institute for Human Development, and the Epilepsy Foundations of Southern and Western New York.

TRANSPORTATION

New York’s transportation network includes 239,000 lane miles of roads, 19,500 bridges, 4,000 railroad miles, 147 public-use airports, 12 major ports and over 70 mass transit systems. The State helps maintain and improve this extensive collection of assets through taxes, Federal grants, general obligation bonds, and bonds issued by public authorities pursuant to contractual agreements with the State. The Department of Transportation (DOT) directly maintains the more than 40,000 State highway lane miles and 7,500 bridges. In addition to State-owned transportation assets, the DOT assists in funding projects for highways, bridges, transit systems and other transportation facilities which are owned by local governments.

Transportation Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	149	61	(88)	-59.1%
Other State Support	4,022	4,290	268	6.7%
State Funds	4,171	4,351	180	4.3%
Federal Funds	1,467	1,595	128	8.7%
All Funds	5,638	5,946	308	5.5%

Of the \$6 billion in All Funds spending, \$2.1 billion is for capital projects, \$2.7 billion is for statewide mass transit operations and local highway and bridge capital aid, and \$1.2 billion is for DOT agency staff and related costs. The latter consists primarily of engineering services and related capital program support, snow and ice removal, preventive maintenance activities, and regulatory activities.

The State paid its planned 2006-07 subsidy for the Metropolitan Transportation Authority’s School Fare Program in 2005-06, which accounts for the annual decrease in projected General Fund Spending. The payout still occurs in the Authority’s calendar 2006 fiscal year. Absent the advance, General Fund spending would have been level over the two fiscal years.

Spending from other State Funds for transit aid and capital-related projects is projected to increase by \$268 million. The pre-payment of \$200 million in aid to transit systems in 2005-06, rather than in 2006-07 affects the annual increases. This increase is primarily for capital projects, reflecting implementation of the second year of the \$35.9

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billion five-year transportation capital plan enacted in 2005-06. Federal aid of \$1.6 billion is anticipated in 2006-07, with \$1.5 billion for capital and the balance for operations.

Transportation				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	149	4,022	1,467	5,638
Current Services:	(88)	218	128	258
Transit Aid	(88)	50	0	(38)
2005 GO Bond Act	0	67	0	67
State Capital	0	101	0	101
Federal Aid	0	0	128	128
Enacted Actions:	0	50	0	50
Transit Funding	0	23	0	23
High Speed Rail Projects	0	11	0	11
CHIPS Increase	0	16	0	16
2006-07 Enacted	61	4,290	1,595	5,946
Annual Change	(88)	268	128	308

Current Services

Transit Aid: Reflects the impact of 2005-06 budget actions, including the \$200 million operating aid acceleration from the Mass Transportation Operating Assistance Fund and the \$45 million General Fund School Fare Subsidy prepayment originally scheduled to be paid in 2006-07. As a result, year to year General Fund spending is down by \$88 million while Other State Funds spending is up \$50 million, for an All Funds decline of \$38 million. Absent these spending adjustments, however, General Fund year-to-year spending would have been flat, while other transit spending would have increased by \$450 million.

2005 General Obligation Bond Act: Consists primarily of the first full year of spending for the Rebuild and Renew New York Transportation Bond Act.

State Capital: Other state capital spending for transportation is expected to increase by \$101 million, primarily reflecting implementation of the second year of the DOT 2005-2010 Capital Plan.

Federal Aid: Based on updated data, capital projects spending and related activities financed with Federal grants is expected to increase \$128 million in 2006-07.

Enacted Actions

Transit Funding: The Enacted Budget added funding for upstate transit systems supported by a General Fund transfer.

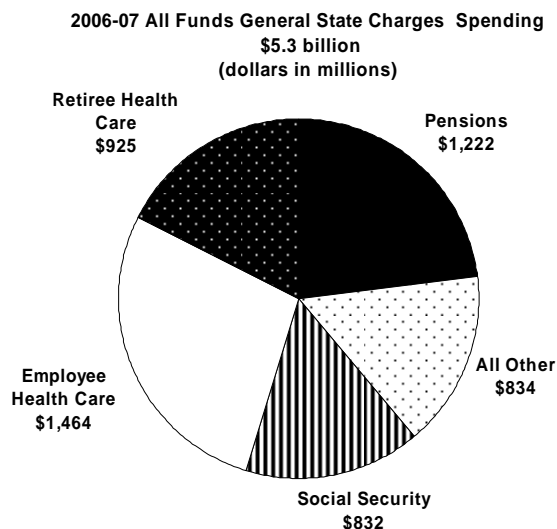
High Speed Rail Projects: The Enacted Budget added capital funding for high speed rail projects to the Dedicated Highway and Bridge Trust Fund.

Consolidated Highway Improvement Program (CHIPS) Increase: The Enacted Budget increased the 2006-07 authorization level for the CHIPS program.

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GENERAL STATE CHARGES

General State Charges account for the costs of fringe benefits to State employees and retirees of the Executive, legislative and judicial branches, as well as for tax payments related to public lands, litigation, and other areas. Fringe benefit payments, many of which are mandated by statute or collective bargaining agreements, include employer contributions for pensions, social security, health insurance, workers' compensation and unemployment insurance. Other costs include State payments-in-lieu of taxes to local governments for certain State-owned lands, and payments related to lawsuits against the State and its public officers.



Employee fringe benefits are financed primarily by General Fund revenues (84 percent) and supplemented with revenue from fringe benefit assessments on accounts financed by Federal and other dedicated revenue sources (16 percent).

General State Charges Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	3,975	4,413	438	11.0%
Other State Support	546	613	67	12.3%
State Funds	4,521	5,026	505	11.2%
Federal Funds	214	251	37	17.3%
All Funds	4,735	5,277	542	11.4%

All Funds spending on General State Charges is expected to total \$5.3 billion in 2006-07, comprised primarily of health insurance spending for employees (\$1.5 billion) and retirees (\$928 million), pensions (\$1.2 billion), and social security (\$832 million). The annual changes are described in more detail in the following table.

General State Charges				
Sources of Annual Spending Increase/(Decrease)				
(millions of dollars)				
	General Fund	Other State Funds	Federal Funds	All Funds
2005-06 Results	3,975	546	214	4,735
Current Services:	438	67	37	542
Employee Health Care	144	0	0	144
Retiree Health Care	42	0	0	42
Pension Contribution	149	0	0	149
All Other	103	67	37	207
2006-07 Enacted	4,413	613	251	5,277
Annual Change	438	67	37	542

Current Services

Employee/Retiree Health Care: Premiums for the State employee and retiree health costs are projected to increase by 8.5 percent in 2006-07.

Pension Contribution: Contributions to the New York State and Local Retirement Systems for fiscal year 2006-07 are based on estimated pension contribution rates provided by the State Comptroller. Baseline projections from the Comptroller show an employer pension contribution rate of 10.2 percent of payroll in 2006-07 compared to 8.8 percent in 2005-06, resulting in an annual State pension cost of \$1.2 billion. The increase of \$149 million (13.9 percent) in 2006-07 reflects the higher contribution rate applied to higher salary costs.

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DEBT SERVICE

The State pays debt service on all outstanding State-supported bonds. These include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., Empire State Development Corporation, Dormitory Authority of the State of New York, Thruway Authority, Local Government Assistance Corporation) for which the State is contractually obligated to pay debt service, subject to an appropriation. Depending on the credit structure, debt service is financed through dedicated taxes and fees, transfers from the General Fund, and other resources, such as patient income revenues.

Debt Service Spending Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
General Fund	1,710	1,749	39	2.3%
Other State Support	1,992	2,337	345	17.3%
All Funds	3,702	4,086	384	10.4%

All Funds debt service is projected at \$4.1 billion in 2006-07, of which \$1.7 billion is paid from the General Fund through transfers and \$2.3 billion from other State funds. Debt service is paid on revenue credits supported by dedicated taxes and fees and patient income, including PIT Revenue Bonds, Dedicated Highway and Bridge Trust Fund bonds and Mental Health facilities bonds, as well as service contract bonds that are secured mainly by the General Fund.

Debt Service Sources of Annual Spending Increase/(Decrease) (millions of dollars)			
	General Fund	Other State Funds	All Funds
2005-06 Results	1,710	1,992	3,702
Current Services:	89	338	427
Enacted Actions:	(50)	7	(43)
Savings	(50)	0	(50)
Additions	0	7	7
Debt Reduction (\$250 million)	0	0	0
2006-07 Enacted	1,749	2,337	4,086
Annual Change	39	345	384

Current Services

Debt Service Costs: The \$427 million increase primarily reflects costs to support bond-financed capital spending, and reduced refunding savings compared to 2005-06. The increased spending is primarily for economic development (\$45 million), higher education (\$210 million), health and mental hygiene (\$44 million), and State facility and equipment purposes (\$60 million), along with LGAC (\$36 million). Lower refunding savings are expected due to rising interest rates and limited refunding opportunities since over \$19 billion of State-supported bonds have been refunded since 2002-03. Variable interest rates, which have been rising steadily, are assumed at 3.25 percent for 2006-07 compared to 2.65 percent in 2005-06, driving \$7 million in added debt service costs.

Enacted Budget Actions

Savings: The 2006-07 Enacted Budget includes recommended savings for the debt service budget totaling \$50 million. Of this, approximately \$15 million was realized to-date, leaving \$35 million yet to be achieved. The State will continue to use Personal Income Tax Revenue Bonds, which were recently upgraded to Standard and Poor's highest rating of AAA. It also plans to use available swaps capacity, and employ less costly variable rate debt if market conditions are favorable.

Additions: The \$7 million increase in debt service for new bond-financed capital spending is primarily attributable to the Enacted Budget's additional bonding for higher education and economic development purposes. The Enacted Budget reflects \$3.8 billion of new multi-year bond-financed capital initiatives, including \$2.6 billion for school construction (EXCEL), \$750 million for SUNY and CUNY, \$378 million for economic development, \$43 million for environmental purposes, \$25 million for housing, and \$15 million for library construction. Debt service costs associated with most of this additional bond-financed capital spending is not expected to begin until 2007-08.

Debt Reduction: The Enacted Budget includes \$250 million to reduce State debt levels and future debt service costs. The Financial Plan reflects this as a reserve, but it is expected that it will be utilized by year end to eliminate the highest cost State debt. Any use of the reserve to eliminate high cost debt will eventually show as debt service spending in 2006-07.

2006-07 Enacted Budget

All Other					
Sources of Annual Spending Increase/Decrease					
(millions of dollars)					
	General Fund	Other State Funds	State Funds	Federal Funds	All Funds
Economic Development	34	(23)	11	0	11
Correctional Services	550	2	552	29	581
Judiciary	191	34	225	3	228
Local Government Aid	158	0	158	0	158
Elections	6	0	6	205	211
Criminal Justice Services	48	18	66	75	141
Homeland Security	57	6	63	201	264
Environmental Conservation	27	57	84	(41)	43
All Other	(226)	(1,623)	(1,849)	(55)	(1,904)

ALL OTHER

In addition to the programs described above, the Executive Budget includes funding for economic development, environmental protection, criminal justice, general government, the Judiciary, and various other programs.

Economic Development: Primarily reflects first-year disbursements from an additional \$783 million for regional economic development capital spending designed to enhance ongoing efforts and provide new financing for academic and research development projects, cultural facilities, and various economic development, energy, and environmental projects.

Correctional Services: Reflects increased costs for collective bargaining, performance advances, other operational costs, inmate medical care. The largest amount (\$496 million) is for retroactive and ongoing costs associated with the New York State Correctional Officers Police Benevolent Association (NYSCOPBA) award.

Judiciary: All Funds spending is projected to grow by \$228 million, mainly for salary increases for judges recommended by the Judiciary (\$70 million) and collective bargaining agreements and performance advances (\$84 million). In addition, non-personal service costs also increase, primarily for security (\$13 million) and contractual and fixed costs (\$13 million).

Local Government Aid: The 2006-07 Enacted Budget includes a record \$127 million increase in aid for cities, towns and villages that features \$50 million in second year funding under the Aid and Incentives for Municipalities (AIM) program and \$77 million in new unrestricted aid. Most cities will receive a 24 percent increase in aid, and a 20 percent increase is provided to towns and villages. The AIM program includes fiscal accountability criteria for cities that directly encourage property tax relief. The AIM program also provides \$25 million for an expanded Shared Municipal Services Incentive (SMSI) grant program, \$15 million of which is estimated for disbursement in 2006-07.

New municipal aid programs include \$12 million in Efficiency Incentive Grants to support cost saving initiatives in Erie County and the City of Buffalo and \$5.7 million in disaster planning aid for counties.

Elections: Implementation of the Help America Vote Act supported by Federal aid primarily accounts for the \$211 million spending increase.

Criminal Justice Services: The increase in Criminal Justice Services spending is for a variety of programs, including crime labs, Operation Impact and legal services. The \$75 million increase in Federal Aid is to support Homeland Security costs.

Homeland Security: The increase is primarily attributable to spending of prior-year funding for the Homeland Security Grant Program and the Urban Area Initiative.

Environmental Conservation: The General Fund spending increase is largely driven by growth in operating costs from salary increases, inflation, and local aid for special projects which did not occur during 2005-06 that are now scheduled for 2006-07. The increase to other State funds is largely driven by increased capital spending, which reflects a return to traditional disbursement levels following delays from the prior fiscal year in land acquisition projects and projects requiring a local match.

All Other/Spending Adjustment: Reflects new or increased All Funds spending for the Department of Motor Vehicles (\$52 million), the Medicaid Inspector General (\$30 million), Aging (\$28 million), State Police (\$28 million), and Parks and Historic Preservation (\$26 million). This spending is offset by accounting adjustments for capital projects activity for certain capital spending that is currently not reported in actual cash spending results, but is reported in the State's GAAP Financial Statements. This spending relates to programs which are financed directly from bond proceeds.

2006-07 Enacted Budget

GENERAL FUND FINANCIAL PLAN PROJECTIONS FOR 2007-08 AND 2008-09

IMPACT OF ENACTED BUDGET ON GAP FORECAST

The 2006-07 Enacted Budget, after all legislative actions and veto overrides, results in outyear gaps of \$3.7 billion for 2007-08 and \$4.3 billion in 2008-09. By contrast, the recommendations set forth in the 2006-07 Executive Budget, if enacted in their entirety, would have resulted in General Fund out-year budget gaps of \$1.9 billion in 2007-08 and \$3.9 billion in 2008-09.

Enacted Budget receipts are expected to result in roughly 6.0 percent annual base-level growth over the outyears. The small annual change in expected 2007-08 receipts reflects the impact of the tax law changes that will lower receipts. Spending is projected to grow about 8 percent on average through 2008-09, based on the "current services" forecast.

The table below summarizes the impact of the 2006-07 Enacted Budget on the 2007-08 and 2008-09 budget gaps, as well as the annual changes in projected receipts, disbursements, and the use of reserves.

General Fund Financial Plan Projections, 2006-07 through 2008-09 (millions of dollars)					
	2006-07	2007-08	Annual Change	2008-09	Annual Change
Enacted Receipts	50,860	51,355	495	53,806	2,451
Enacted Spending	50,843	55,849	5,006	59,145	3,296
Balances/Reserves (Deposit)/Use	(17)	817	834	1,041	224
Enacted Budget Gaps	0	(3,677)		(4,298)	

The following sections present a more detailed view of expected receipts and disbursements in each of the next two outyears, 2007-08 and 2008-09.

OUTYEAR GENERAL FUND RECEIPT PROJECTIONS

General Fund receipts, including transfers from other funds, are projected to total \$51.4 billion in 2007-08, an increase of \$495 million from 2006-07 estimates. Receipts are projected to grow by nearly \$2.5 billion in 2008-09 to total \$53.8 billion. The growth in underlying tax receipts for 2006 through 2008 is consistent with average historical growth during the mature stages of an economic expansion. In general, there is significant uncertainty associated with forecasts of receipts more than 18 months into the future. Overall, the tax receipt projections for the out-years follow the path dictated by our forecast of economic growth. History suggests a large range of potential outcomes around these estimates.

General Fund Receipts Forecast					
(millions of dollars)					
	2006-07	2007-08	Annual Change	2008-09	Annual Change
Personal Income Tax	23,137	23,914	777	25,691	1,777
User Taxes and Fees	8,323	8,665	342	8,969	304
Business Taxes	5,303	5,385	82	5,504	119
Other Taxes	896	967	71	1,030	63
Miscellaneous Receipts	2,846	2,368	(478)	2,146	(222)
Federal Grants	9	9	0	9	0
Transfers from Other Funds					
Revenue Bond Fund	7,135	7,010	(125)	7,314	304
LGAC Fund	2,208	2,305	97	2,404	99
CW/CA Fund	533	485	(48)	488	3
All Other	470	247	(223)	251	4
Total Receipts	50,860	51,355	495	53,806	2,451
<i>Annual Percent Change</i>			1.0%		4.8%

Taxes

In general, income tax growth for 2007-08 and 2008-09 is governed by projections of growth in taxable personal income and its major components, including wages, interest and dividend earnings, realized taxable capital gains, and business net income and income derived from partnerships and S corporations. In addition, recent past and current tax law changes affect year-over-year comparisons.

General Fund income tax receipts are projected to increase by \$777 million to just over \$23.9 billion in 2007-08. The change from 2006-07 reflects the impact of the elimination of the temporary surcharge on the growth in base liabilities, and the full-year impact of the Enacted Budget tax reductions discussed above. General Fund PIT receipts for 2008-09 are projected to increase by \$1.8 billion to \$25.7 billion, reflecting growth in liability that is consistent with an expanding personal income base during a period of expected economic growth.

2006-07 Enacted Budget

The 2007-08 and 2008-09 projections also assume increases in the other major components of income, consistent with continued growth in the overall economy.

General Fund user taxes and fees receipts for 2007-08 are projected to reach \$8.7 billion, an increase of \$343 million, or 4.1 percent, from 2006-07. Sales tax receipts are projected to increase \$327 million, or 4.2 percent due to a modest growth and in the base of the sales tax. Other user taxes and fees in the General Fund are projected to be virtually unchanged from 2006-07.

General Fund user taxes and fees are expected to grow to \$9.0 billion in 2008-09. The economy is expected to continue to grow at trend rates over this period, resulting in sales tax growth consistent with historical averages.

General Fund business tax receipts are expected to increase to \$5.4 billion in 2007-08 and to \$5.5 billion in 2008-09 reflecting trend growth in business tax receipts and the continued impact of the 2006-07 tax reductions described above.

General Fund receipts from other taxes are expected to increase to \$967 million in 2007-08 and \$1.0 billion in 2008-09, primarily reflecting continued growth in estate tax receipts.

Miscellaneous Receipts

General Fund miscellaneous receipts in 2007-08 are projected to be nearly \$2.4 billion, down \$478 million from the current year. This decrease is primarily the result of the loss of certain receipts from public authorities. In 2008-09, General Fund miscellaneous receipts collections are projected to be over \$2.1 billion, down \$222 million from 2007-08. This decrease results from expected declines in licenses and fees, the loss of bond issuance charges from the base, and a decrease in the value of the local government revenue and disbursement program.

Transfer from Other Funds

Transfers from other funds are estimated to decline \$300 million to \$10.0 billion in 2007-08, and grow to \$10.5 billion in 2008-09. In 2007-08, the projected decline is due to increases in debt service related to PIT Revenue Bonds, LGAC Bonds and Clean Water/Clean Air general obligation debt service (\$404 million), the decline in real estate tax receipts (\$40 million) and the decline in all-other transfers (225 million) due in part to the loss of non-recurring fund sweeps. These variances are partially offset by projected increases in PIT and sales tax receipts (\$368 million). In 2008-09, transfers are projected to grow due primarily to the net increase of tax receipts (\$695 million) in excess of debt service payments on revenue bonds (\$290 million).

OUTYEAR GENERAL FUND DISBURSEMENT PROJECTIONS

General Fund Disbursement Projections (millions of dollars)					
	2006-07	2007-08	Annual Change	2008-09	Annual Change
Grants to Local Governments:	34,210	38,158	3,948	41,051	2,893
School Aid	14,535	15,093	558	15,626	533
Medicaid	8,794	11,578	2,784	13,578	2,000
Welfare	1,247	1,420	173	1,417	(3)
Mental Hygiene (OMR/OMH/OASAS)	1,563	1,731	168	1,850	119
Higher Education	2,264	2,367	103	2,439	72
Children and Families Services	1,342	1,457	115	1,530	73
Public Health	618	713	95	741	28
Local Government Assistance	1,177	1,224	47	1,219	(5)
Education -All Other	1,700	1,593	(107)	1,646	53
All Other	970	982	12	1,005	23
State Operations:	9,455	9,616	161	9,883	267
Personal Service	6,902	6,919	17	7,017	98
Non-Personal Service	2,553	2,697	144	2,866	169
General State Charges	4,413	4,742	329	5,024	282
Pensions	1,222	1,236	14	1,214	(22)
Health Insurance	2,389	2,682	293	2,963	281
All Other	802	824	22	847	23
Transfers to Other Funds:	2,765	3,333	568	3,187	(146)
Debt Service	1,749	1,768	19	1,750	(18)
Capital Projects	219	242	23	239	(3)
All Other	797	1,323	526	1,198	(125)
Total Disbursements	50,843	55,849	5,006	59,145	3,296
<i>Annual Percent Change</i>			9.8%		5.9%

DOB forecasts General Fund "current services" spending of \$55.9 billion in 2007-08, an increase of \$5 billion (9.9 percent) over the 2006-07 Enacted expenditure level, while 2008-09 growth is projected at \$3.3 billion (5.9 percent). The growth levels are derived from estimates of outyear current service projections based on the 2006-07 Enacted Budget. The main sources of annual spending growth for 2007-08 and 2008-09 are itemized in the above table.

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GRANTS TO LOCAL GOVERNMENTS

Annual growth in local assistance is driven primarily by Medicaid and school aid. The following table summarizes some of the factors that affect the local assistance projections over the Financial Plan period.

Forecast for Selected Program Measures Affecting Local Assistance					
	Actual		Forecast		
	2004-05	2005-06	2006-07	2007-08	2008-09
Medicaid					
Medicaid Coverage (excl. FHP)	3,531,938	3,744,808	3,893,762	4,013,762	4,137,460
Medicaid Inflation	4.1%	3.9%	3.8%	3.7%	3.7%
Medicaid Utilization	3.2%	3.7%	3.8%	3.9%	4.0%
State Takeover of County/NYC Costs					
- Family Health Plus (in millions)	\$60	\$289	\$528	\$573	\$573
- Medicaid	N/A	\$113	\$638	\$1,186	\$1,844
Education					
School Aid (School Year - in millions)	\$15,400	\$16,400	\$17,600	\$18,400	\$19,400
K-12 Enrollment	2,850,124	2,826,981	2,810,128	2,810,128	2,810,128
Public Higher Education Enrollment (FTEs)	490,916	496,189	500,070	500,070	500,070
TAP Recipients	336,700	343,881	343,881	343,881	343,881
Welfare					
Family Assistance Caseload	485,500	453,200	441,400	419,200	414,800
Single Adult/No Children Caseload	140,200	146,000	141,700	133,100	132,800
Mental Hygiene					
Mental Hygiene Community Beds	81,446	82,948	84,445	86,105	86,943

School Aid

On a school year basis, school aid (including funding for SBE Aid) is projected at \$18.4 billion in 2007-08 and \$19.4 billion in 2008-09. Growth of \$800 million in 2007-08 and \$1.0 billion in 2008-09 reflects traditional school aid increases (\$500 million in each of 2007-08 and 2008-09), and growth in SBE Aid (\$300 million in 2007-08 and \$500 million in 2008-09). SBE Aid is projected to increase from \$700 million in 2006-07 to \$1.0 billion in 2007-08 and \$1.5 billion in 2008-09.

On a State fiscal year basis, General Fund school aid spending is projected to grow by approximately \$558 million in 2007-08 and \$533 million in 2008-09. This growth is attributable to Building Aid (roughly \$100 million in 2007-08 and 2008-09); special education cost increases (approximately \$125 million in 2007-08 and 2008-09); Transportation Aid (roughly \$125 million in 2007-08 and 2008-09) and growth in other aid categories. Outside of the General Fund, revenues from the general lottery are projected to increase slightly (by \$36 million in 2007-08 and \$65 million in 2008-09) and VLT revenues are projected to increase by \$462 million in 2007-08 and another \$245

million in 2008-09. Outyear VLT estimates assume the start of new operations at two racetracks, Yonkers (in September 2006) and Aqueduct (in October 2007).

The recently enacted \$2.6 billion EXCEL school construction program, which authorizes State bonding for school construction throughout the State, is projected to total \$1.8 billion in 2006-07 and \$400 million each year in 2007-08 and 2008-09. Of the \$2.6 billion, \$1.8 billion is for New York City, \$400 million will go to “high-needs” school districts, while the remaining \$400 million will go to all other school districts based on a per-pupil formula. These districts will be able to use the EXCEL aid to help cover the local taxpayer share of costs for new school building projects.

School districts will be able to use EXCEL funds either in lieu of building aid (provided as part of school aid) or as a supplement to building aid. To the extent that New York City and other school districts use EXCEL funds in lieu of building aid, projected building aid growth could be somewhat dampened as a result of the new EXCEL program. To the extent that EXCEL funds are used in conjunction with building aid to fully fund local school construction costs, there could be an acceleration in school construction that may produce an eventual increase in projected building aid growth. However, any such potential increase in State building aid over the next two to five years should be relatively modest due to: school districts using EXCEL funds to offset the recent construction materials cost increases that may exceed maximum cost allowances; the lead time needed to plan and implement school construction programs; the finite capacity of local school districts to undertake school construction programs; the payment of building aid on an assumed amortization basis; and the lag in initial building aid payments until at least 18 months after construction plans have been approved by the State Education Department (for school districts other than New York City).

Medicaid

General Fund spending for Medicaid, after the impact of 2006-07 Enacted Budget actions, is expected to grow by roughly \$2.8 billion in 2007-08 and another \$2.0 billion in 2008-09. This growth results, in part, from the combination of more recipients, higher service utilization, and medical-care cost inflation, including prescription drug prices. These factors are projected to add about \$1.0 billion in 2007-08 and \$1.5 billion in 2008-09. In addition, the savings for cost avoidance initiatives achieved through gubernatorial vetoes included in 2006-07 will expire. This increases costs by approximately \$900 million in 2007-08 and \$800 million in 2008-09 of which roughly \$220 million is attributed to the expiration of legislation which would prevent cost shifting from Medicare Part D to the State Medicaid program. The remaining growth is primarily attributed to the State cap on local Medicaid costs and takeover of local FHP costs growing from \$1.1 billion in 2006-07 to \$1.7 billion in 2007-08 and to \$2.4 billion in 2008-09. These projections also include the expiration of nursing home assessments (\$258 million in both 2007-08 and 2008-09). In addition, the Financial Plan includes a transfer from the General Fund (excluded from these projections) to provide support for HCRA in the outyears (\$627 million in 2007-08 and \$486 million in 2008-09).

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DOB projects the average number of Medicaid recipients will grow to 4 million in 2007-08, an increase of 2.6 percent over the estimated 2006-07 caseload of almost 3.9 million. FHP enrollment is estimated to grow to approximately 748,000 in 2007-08, an increase of 14 percent over projected 2006-07 enrollment of 658,000.

Welfare

Welfare spending, including administration, is projected at \$1.4 billion in 2007-08, an increase of \$173 million (13.9 percent) from 2006-07. Although the caseloads for family assistance and single adult/childless couples are projected to decline (5 percent and 6.1 percent, respectively), increased use of TANF for employment-related initiatives is expected to reduce the amount of TANF available to support General Fund public assistance spending.

Other Local

All other local assistance programs total \$10.1 billion in 2007-08, an increase of \$433 million (4.5 percent) over 2006-07 Enacted Budget levels. This increase consists primarily of growth in mental health and mental retardation programs (\$168 million), children and families services (\$115 million), higher education (\$103 million), public health (\$95 million), and local government assistance (\$47 million).

Forecast of Selected Program Measures Affecting State Operations

	2004-05	2005-06	2006-07	2007-08	2008-09
State Operations					
Prison Population (Corrections)	63,307	62,890	63,100	63,100	63,100
Negotiated Salary Increases ⁽¹⁾	2.5%	2.75%	3.00%	0.0%	0.0%
Personal Service Inflation	0.8%	0.8%	0.8%	0.8%	0.8%
State Workforce	188,925	191,400	191,275	191,675	191,675

(1) Negotiated salary increases include a recurring \$800 base salary adjustment effective April 1, 2007.

State Operations

State Operations spending in the General Fund is expected to total \$9.6 billion in 2007-08, an annual increase of \$161 million (1.7 percent). In 2008-09, spending is projected to grow by another \$267 million to a total of \$9.9 billion (2.8 percent). In 2007-08, personal service costs increase with a \$800 base salary adjustment effective April 1, 2007, and both years reflect longevity and other related salary increases. Offsetting the personal service growth from 2006-07 to 2007-08 is the retroactive component associated with the NYSCOPBA award, which does not recur in 2007-08. As noted, there is no provision for additional collective bargaining costs in 2007-08 or 2008-09.

General State Charges (GSCs)

Forecast of Selected Program Measures Affecting General State Charges					
	2004-05	2005-06	2006-07	2007-08	2008-09
General State Charges					
Pension Contribution Rate	7.0%	8.8%	10.2%	10.2%	10.0%
Employee/Retiree Health Insurance Rate	13.5%	8.2%	8.5%	11.4%	11.1%

GSCs are projected to total \$4.7 billion in 2007-08 and \$5 billion in 2008-09. The annual increases are due mainly to anticipated cost increases in health insurance for State employees and retirees.

The State's pension contribution rate to the New York State and Local Retirement Systems is expected to remain at 10.2 percent in both 2006-07 and 2007-08 with a decline to 10.0 percent in 2008-09. Spending for employee and retiree health care costs is expected to increase by \$293 million in 2007-08 and another \$281 million in 2008-09, and assumes average annual premium increases of 11 percent. Health insurance is projected at \$2.7 billion in 2007-08 (\$1.6 billion for active employees and \$1.0 billion for retired employees) and \$3.0 billion in 2008-09 (\$1.8 billion for active employees and \$1.2 billion for retired employees).

Transfers to Other Funds

Forecast of Selected Program Measures Affecting Debt Service					
	2004-05	2005-06	2006-07	2007-08	2008-09
State Debt					
Interest on Variable Rate Debt	1.44%	2.65%	3.25%	3.25%	3.30%
Interest on 30-Year Bonds	5.09%	5.00%	5.65%	6.00%	6.15%

Transfers to other funds are estimated to total \$3.3 billion in 2007-08 and \$3.2 billion in 2008-09. The \$568 million increase in 2007-08 is largely due to a \$627 million transfer to HCRA as a result of the denial of the proposed cigarette tax increase. This transfer is expected to decline by \$141 million in 2008-09 and accounts for the All Other decline of \$125 million. Debt service transfers from the General Fund are projected to remain stable primarily because increases in debt service costs are reflected in State Funds due to the accounting treatment of the personal income tax revenue bond program.

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2006-07 GOVERNMENTAL FUNDS FINANCIAL PLAN (FUND TYPE)

This section summarizes the 2006-07 Financial Plan from the perspective of each of the four major fund types that comprise the All Funds budget: the General Fund, Special Revenue Funds, Capital Projects Funds, and Debt Service Funds. A detailed discussion of the projected annual changes in receipts and disbursements is provided earlier in this Enacted Budget Report under the section entitled "2006-07 Financial Plan."

GENERAL FUND

General Fund Receipts (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Taxes	35,304	37,659	2,355	6.7%
Miscellaneous Receipts	2,018	2,846	828	41.0%
Federal Grants	11	9	(2)	-18.2%
Transfers From Other Funds:	9,873	10,346	473	4.8%
Total Receipts	47,206	50,860	3,654	7.7%

DOB projects General Fund receipts, including transfers from other funds, to total \$50.9 billion in 2006-07, an increase of \$3.7 billion (7.7 percent) from the prior year. The increase in General Fund receipts is the result of increased collections from PIT and miscellaneous receipts. General Fund tax receipt growth is projected at 6.7 percent. General Fund miscellaneous receipts are projected to increase by 41.0 percent.

Disbursements

General Fund Disbursement Projections (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Grants to Local Governments:	31,287	34,210	2,923	9.3%
School Aid	13,500	14,535	1,035	7.7%
Medicaid	8,291	8,794	503	6.1%
Higher Education	1,782	2,264	482	27.0%
All Other Education	884	986	102	11.5%
Mental Hygiene (OMR/OMH/OASAS)	1,438	1,563	125	8.7%
Welfare	1,251	1,247	(4)	-0.3%
Children and Families Services	1,251	1,342	91	7.3%
All Other	2,890	3,479	589	20.4%
State Operations:	8,160	9,455	1,295	15.9%
Personal Service	5,705	6,902	1,197	21.0%
Non-Personal Service	2,455	2,553	98	4.0%
General State Charges	3,975	4,413	438	11.0%
Debt Service	1,710	1,749	39	2.3%
Capital Projects	286	219	(67)	-23.4%
All Other	1,077	797	(280)	-26.0%
Total Disbursements	46,495	50,843	4,348	9.4%

The State projects General Fund disbursements, including transfers to other funds, of \$50.8 billion in 2006-07, an increase of \$4.3 billion (9.4 percent) over 2005-06 actual results. Increases in Grants to Local Governments, State Operations, and General State Charges are partially offset by a decrease in transfers to other funds. The major components of these disbursement changes are summarized below and are explained in more detail in the section entitled "2006-07 Financial Plan".

Grants to local Governments include financial aid to local governments and non-profit organizations, as well as entitlement payments to individuals. After the impact of all Enacted Budget actions, local assistance spending is projected at \$34.2 billion in 2006-07, an increase of \$2.9 billion from the prior year. The largest annual increases are for school aid, Medicaid, and Higher Education, as described earlier.

State Operations accounts for the cost of running the Executive, Legislative, and Judicial branches of government and is projected to total \$9.5 billion in 2006-07, an increase of \$1.3 billion (15.9 percent) from the prior year. Personal service costs (e.g., State employee payroll) comprise 73 percent of State Operations spending. The remaining 27 percent represents non-personal service costs for contracts, rent, supplies, and other operating expenses.

2006-07 Enacted Budget

Personal service spending, increased \$1.2 billion from the prior year. Growth is primarily affected by projected collective bargaining costs, in addition to the use of \$150 million in patient income revenues in 2006-07 to offset General Fund non-personal service spending instead of personal service spending, as was done in 2005-06. Salary increases under existing collective bargaining agreements (\$306 million), pay raises for judges (\$70 million) and staffing increases, primarily in Judiciary and Mental Hygiene, account for the remaining increase. Non-personal service spending, after adjusting for the \$150 million patient income revenue reclassification, is projected to grow by \$248 million. Inflation (\$82 million), SUNY operations (\$73 million), and legislative additions including General Fund support of Homeland Security costs previously funded by non-general funds (\$30 million), account for majority of the change.

DOB projects the Executive branch workforce will total 191,267 in 2006-07, a decrease of 124 from 2005-06. Tables that summarize the historical, current, and projected workforce levels by All Funds and the General Fund appear in the section entitled "Financial Plan Tables."

General State Charges account for the costs of providing fringe benefits to State employees and retirees of the Executive, Legislative, and Judicial branches, as well as fixed costs for taxes on public lands and litigation costs. General Fund spending for General State Charges is projected to be \$4.4 billion in 2006-07, an increase of \$438 million (11.0 percent) over the prior year. This annual increase is due mostly to rising costs of employee health benefits and higher pension contributions. General State Charges are explained in more detail earlier in this Financial Plan.

Transfers to Other Funds are projected to total \$2.8 billion in 2006-07 and include General Fund transfers for debt service (\$1.7 billion), capital projects (\$219 million), and other funds (\$797 million).

General Fund transfers for debt service increased by \$39 million (2.3 percent) from 2005-06. Transfers to support capital projects are expected to decrease by \$67 million, mainly due to timing delays for bond reimbursements. The decline in other funds transfers is largely due to non-recurring transfers from the General Fund in 2005-06 to the Lottery Fund to support a shortfall in receipts (\$183 million), and a reduction in transfers to the VLT account (\$30 million) to support school aid and SBE spending for 2006-07.

SPECIAL REVENUE FUNDS

Special Revenue Funds receive dedicated State and Federal revenues used to finance specific activities. They are intended to be self-supporting, with receipts equaling or exceeding disbursements. However, when statutorily authorized, specified funds and accounts may borrow from the State's Short-Term Investment Pool to cover temporary cash shortfalls resulting from the timing of receipts and disbursements (i.e., disbursements occurring prior to receipts being received).

In 2006-07, the Special Revenue Funds Cash Financial Plan projects total receipts of \$52.7 billion, total disbursements of \$54.3 billion, net other financing sources of \$313 million, and use of fund balances of \$1.3 billion, resulting in a closing fund balance of \$2.9 billion. The use of fund balances consists primarily of health care conversion proceeds available in 2005-06 that will be used to support HCRA programs in 2006-07 (\$1.0 billion).

Receipts

Special Revenue Funds Receipts (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Taxes	6,057	6,249	192	3.2%
Miscellaneous Receipts	13,767	12,575	(1,192)	-8.7%
Federal Grants	33,363	33,868	505	1.5%
Total Receipts	53,187	52,692	(495)	-0.9%

Total 2006-07 Special Revenue Fund receipts are projected to decline by \$495 million from the prior-year forecast. This change is comprised of a decline in miscellaneous receipts offset by increases in Federal grants and taxes. The major components of these receipt changes are summarized below.

Tax receipts growth primarily includes additional taxes dedicated to support the STAR program, resulting from program growth and a newly enacted cost-of-living adjustment for seniors and growth in tax receipts dedicated to Mass Transit and the Dedicated Mass Transportation Trust Fund. The annual decline in miscellaneous receipts is primarily due to the receipt of \$2.2 billion of health care conversion proceeds in 2005-06 that will be used to support State Medicaid and other public health care costs. Changes to Federal grants generally correspond to changes in federally reimbursed spending. However, since Federal reimbursement is assumed to be received in the State fiscal year in which spending occurs, timing-related variances may result.

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Disbursements

Special Revenue Funds Disbursements (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Grants to Local Governments	43,010	45,054	2,044	4.8%
Medicaid	21,919	22,512	593	2.7%
School Aid	5,051	5,418	367	7.3%
STAR	3,213	3,368	155	4.8%
Transportation	2,232	2,312	80	3.6%
Social Services	4,263	4,328	65	1.5%
Public Health	3,004	3,441	437	14.5%
Mental Hygiene	1,365	1,423	58	4.2%
All Other	1,963	2,252	289	14.7%
State Operations	8,217	8,366	149	1.8%
Personal Service	4,946	4,931	(15)	-0.3%
Non-Personal Service	3,271	3,435	164	5.0%
General State Charges	760	864	104	13.7%
Capital Projects	41	2	(39)	-95.1%
Total Disbursements	52,028	54,286	2,258	4.3%

Total Special Revenue Fund disbursements are projected to be \$54.3 billion, an increase of \$2.3 billion (4.3 percent) from the prior year. The major changes in disbursements are summarized below and are explained in more detail in the section entitled "2006-07 Disbursements Forecast."

Grants to Local Governments are projected to increase \$2.0 billion from 2005-06. Sources of growth in major programs include higher spending in Medicaid, public health, STAR, and school aid. All other changes consist of growth in Federal spending for homeland security (\$188 million) and implementation of the Help America Vote Act (\$190 million).

State Operations disbursements are projected to increase \$149 million from 2005-06. Annual growth in personal service and non-personal service amount to \$135 million and \$14 million, respectively, after adjusting for the reclassification of spending from personal service to non-personal service. Spending increases are the result of collective bargaining agreements and performance advances (\$134 million) and inflation (\$94 million), offset by a decline in non-personal service spending supported by HCRA resulting from a technical change in the categorization of costs (\$85 million).

Disbursements for General State Charges are expected to increase \$104 million from the prior year. Growing employer pension contributions and higher health insurance costs account for most of the annual growth in General State Charges.

Other Financing Sources/(Uses)

Special Revenue Funds Other Financing Sources/(Uses)				
(millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Transfers From Other Funds	3,856	3,600	(256)	-6.6%
Transfers To Other Funds	(2,826)	(3,287)	(461)	16.3%
Net Other Financing Sources/(Uses)	1,030	313	(717)	-69.6%

Transfers from other funds are projected to total \$3.6 billion, a decrease of \$256 million (6.6 percent) from the prior year. Non-recurring transfers from the General Fund to the Lottery Fund to support a shortfall in receipts (\$183 million) and a decrease in SUNY transfers (\$110 million) accounts for the majority of the change.

Transfers to other funds are estimated at \$3.3 billion, an increase of \$461 million (16.3 percent) from 2005-06. The annual growth is due to increased capital spending for HEAL-NY supported by HCRA (\$64 million), an increase in Federal Medicaid reimbursement for Mental Hygiene services before payment of debt service (\$196 million), a transfer from the Revenue Arrearage Account to the General Fund (\$50 million); the receipt of Federal Medicare Part D moneys (\$60 million), transfers from DCJS accounts to support General Fund programs including Operation IMPACT, and aid for crime labs, prosecution and defense programs (\$49 million) and an increase in transfers expected from the Tribal State Compact Account (\$28 million).

CAPITAL PROJECTS FUNDS

The following section summarizes action on spending from the Capital Projects Fund type. A more complete explanation of the State's capital and debt programs are included in the Enacted Budget Five-Year Capital Program and Financing Plan.

The Capital Projects Fund group includes spending from the Capital Projects Fund, which is supported by a General Fund transfer, and spending from other funds for specific purposes, such as transportation, environment, economic development, health, education, public protection, and mental health.

The following capital projects tables reflect accounting adjustments for capital projects activity for certain capital spending that is not currently reported in actual cash spending results, but is reported in the State's GAAP Financial Statements. This spending relates to programs which are financed directly from bond proceeds, totaled \$1.0 billion in 2005-06 and is projected at \$3.1 billion in 2006-07. Spending for EXCEL, the new school construction program, is anticipated to total \$1.8 billion in fiscal year 2006-07.

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Receipts

Capital Projects Funds Receipts (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Taxes	1,941	2,066	125	6.4%
Miscellaneous Receipts	2,731	5,681	2,950	108.0%
Federal Grants	1,766	1,730	(36)	-2.0%
Total Receipts	6,438	9,477	3,039	47.2%
GAAP Adjustment	(1,017)	(3,101)	(2,084)	204.9%
Financial Plan Total	5,421	6,376	955	17.6%

Total Capital Projects Fund receipts include dedicated tax receipts from highway-related taxes deposited into the Dedicated Highway and Bridge Trust Fund, and real estate transfer taxes deposited into EPF. Miscellaneous receipts include bond proceeds that finance capital projects across all functional areas, as well as other dedicated fees, such as State park fees. Federal grants reflect reimbursements for State spending advanced pursuant to agreements with various Federal agencies.

Taxes

Taxes deposited to the Capital Projects Fund are projected to be almost \$2.1 billion in 2006-07, an increase of \$125 million (6.4 percent) from 2005-06. The projected growth reflects increases in highway-related taxes deposited to the Dedicated Highway and Bridge Trust Fund and a statutory increase of \$35 million in 2006-07 from the portion of the real estate transfer tax dedicated to EPF.

Miscellaneous Receipts

Miscellaneous receipts are projected to total almost \$5.7 billion in 2006-07, an increase of almost \$3 billion from 2005-06. The projected increase is driven primarily by increases for projects for education (\$2.2 billion), transportation (\$361 million), parks and environment (\$105 million), and economic development (\$91 million) financed with public authority bond proceeds, and for timing related year-to-year shifts of authority bond proceeds reimbursements resulting from delayed or deferred 2005-06 bond sales.

Federal Grants

Federal grants are estimated at approximately \$1.7 billion in 2006-07, virtually unchanged from the amount for 2005-06.

Disbursements

Capital Projects Funds Disbursements (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Transportation	3,215	3,530	315	9.8%
Parks and Environment	500	615	115	23.0%
Economic Development and Gov't Oversight	501	532	31	6.2%
Health and Social Welfare	154	206	52	33.8%
Education (mostly SUNY/CUNY)	725	1,190	465	64.1%
EXCEL	0	1,800	1,800	N/A
Public Protection	285	323	38	13.3%
Mental Hygiene	355	357	2	0.6%
General Government	116	145	29	25.0%
Other	298	351	53	17.8%
Total Disbursements	6,149	9,049	2,900	47.2%
GAAP Adjustment	(1,017)	(3,101)	(2,084)	204.9%
Financial Plan Total	5,132	5,948	816	15.9%

Spending from the Capital Projects Fund (prior to adjustments) is projected to total almost \$9.1 billion in 2006-07, an increase of \$2.9 billion. The majority of the increase is for programs in education (\$2.3 billion), Transportation (\$315 million), and parks and environment (\$115 million).

Other Financing Sources/(Uses)

Capital Projects Funds Other Financing Sources/(Uses) (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Transfers From Other Funds	279	341	62	22.2%
Transfers To Other Funds	(877)	(844)	33	-3.8%
Bond Proceeds	159	236	77	48.4%
Net Other Financing Sources/(Uses)	(439)	(267)	172	-39.2%

Transfers from other funds are estimated at \$341 million in 2006-07, an increase of \$62 million from 2005-06. The change is attributable primarily to the increase of \$64 million transfer from HCRA directly to the Capital Projects Fund to finance anticipated non-bondable spending for HEAL NY, offset by reestimates for other programs.

Capital Projects Fund transfers to other funds declined from 2005-06 (\$877 million) to 2006-07 (\$844 million) and reflect primarily initial debt service savings resulting from the refinancing of Dedicated Highway and Bridge Trust Fund bonds.

On this table, bond proceeds reflect General Obligation bonds which are issued pursuant to voter approval, as opposed to bonds issued for the State by public

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authorities pursuant to contractual agreements. The \$236 million estimate for 2006-07 is \$77 million higher than the estimate for 2005-06 and primarily reflects the first full year of spending activity for the recently approved Rebuild and Renew New York 2005 General Obligation bonds.

DEBT SERVICE FUNDS

The following section briefly summarizes activity in the Debt Service Funds type. Debt Service Funds are used to account for all receipts, transfers and debt service payments made on State-supported bonds. State-supported bonds include general obligation bonds, for which the State is constitutionally obligated to pay debt service, as well as bonds issued by State public authorities (e.g., Empire State Development Corporation, Dormitory Authority of the State of New York, Thruway Authority, Local Government Assistance Corporation) for which the State is contractually obligated to pay debt service, subject to an appropriation. Debt service is paid through transfers from the General Fund, dedicated taxes and fees, and other resources, such as patient income revenues.

Total receipts in the debt service funds are projected at \$11.6 billion in 2006-07. Disbursements for debt service and related expenses are expected to total \$4.2 billion. Receipts in excess of those required to satisfy the State's debt service obligations are transferred to the General Fund or to other funds to support capital or operating disbursements.

Receipts

Debt Service Funds Receipts (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Taxes	10,341	10,932	591	5.7%
Miscellaneous Receipts	745	665	(80)	-10.7%
Total Receipts	11,086	11,597	511	4.6%

Total Debt Service Funds receipts are projected to be \$11.6 billion, an increase of \$511 million (4.6 percent) from 2005-06. The annual growth is due to increases in dedicated taxes (\$591 million) offset by a modest decrease in miscellaneous receipts (\$80 million). These changes are described in more detail below.

Taxes

The \$591 million (5.7 percent) increase in taxes deposited to the Debt Service Funds is attributable to growth in dedicated personal income tax receipts deposited to the Revenue Bond Tax Fund (\$813 million), offset by reduced sales and use taxes deposited to the Local Government Assistance Tax Fund (\$48 million) and real estate transfer taxes deposited to the Clean Water/Clean Air Fund (\$173 million). Starting in

2006-07, an additional portion of the real estate transfer tax deposits will be redirected to the EPF to further support environmental programs.

Miscellaneous Receipts

The projected \$80 million decrease from 2005-06 is due to reduced receipts from SUNY dormitory fees (\$27 million) and less patient income for mental hygiene and health facilities (\$56 million), as offset by slightly higher receipts supporting general obligation housing bonds (\$2 million).

Disbursements

Debt Service Funds Disbursements				
(millions of dollars)				
	2005-06	2006-07	Annual	Percent
	Results	Enacted	Change	Change
General Debt Service Fund	2,573	2,885	312	12.1%
Dedicated Highway Fund	474	458	(16)	-3.4%
LGAC	321	358	37	11.5%
Mental Hygiene	288	333	45	15.6%
All Other	103	117	14	13.6%
Total Disbursements	3,759	4,151	392	10.4%

Total disbursements from the Debt Service Funds are projected to increase from \$3.8 billion in 2005-06 to \$4.2 billion in 2006-07. The increase primarily reflects higher debt service costs associated with supporting ongoing bonded capital needs, as well as the early debt service impacts of the \$3.8 billion of new bond-financed capital included in the Enacted Budget. This includes \$2.6 billion for school construction (EXCEL), \$750 million for SUNY and CUNY, \$390 for economic development, \$43 million for environmental purposes, \$25 million for housing, and \$15 million for library construction.

Offsetting these increases are several savings initiatives being implemented with the 2006-07 Enacted Budget, which are expected to reduce debt service costs by about \$50 million. Of this, approximately \$15 million was realized with the Governor’s 30-Day Amendments, leaving \$35 million yet to be achieved. Specifically, the State will continue to use PIT revenue bonds (recently upgraded to S&P’s highest rating of AAA) to finance a variety of capital programs; maximize savings opportunities using available swaps capacity; employ less costly variable rate debt if market conditions are favorable; and use the \$250 million deposited to the Debt Reduction Reserve Fund (DRRF) to reduce State debt levels.

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General Debt Service Fund

Spending from the General Debt Service Fund is projected to increase by \$312 million (12.1 percent). As the State continues to transition from State appropriation backed bonds to PIT revenue bonds to finance its capital needs, spending in the General Debt Service Fund will decline, while spending in the Revenue Bond Tax Fund will increase proportionally.

Dedicated Highway and Bridge Trust Fund

Spending from the Dedicated Highway and Bridge Trust Fund, which the Comptroller reclassifies to the General Debt Service Fund, is projected to decrease by \$16 million (3.4 percent) in 2005-06. This primarily reflects the continuing impact of the 2005 restructuring of existing bonds to better match the projects' useful lives.

LGAC

The LGAC Tax Fund is projected to receive \$2.6 billion in 2006-07 from the dedicated one-cent statewide sales tax. Debt service and related costs on LGAC bonds are projected at \$358 million in 2006-07, an increase of \$37 million (11.5 percent) from the current year. Local aid payments due to the State Tax Asset Receivable Corporation are paid from the Local Government Assistance Tax Fund after all LGAC debt and related obligations are met, and are reflected in the local assistance portion of the Financial Plan.

Mental Hygiene

Patient income revenues of \$2.9 billion deposited and transferred to the Mental Health Services Fund, will satisfy debt service obligations of \$333 million in 2006-07. Debt service and related costs for this program are projected to increase by \$45 million (15.5 percent) from 2005-06 levels. This increase is driven by new issuances to support the Mental Hygiene capital program coupled with lower recurring refunding savings.

All Other

This category includes debt service spending from the Health Income Fund, Housing Debt Fund, and the SUNY Dormitory Income Fund. The \$14 million increase in spending from 2005-06 is largely attributable to increased debt service for SUNY dormitory bonds.

Debt Service Funds Other Financing Sources/(Uses)				
(millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Transfers From Other Funds	5,168	5,386	218	4.2%
Transfers To Other Funds	(12,458)	(12,808)	(350)	2.8%
Net Other Financing Sources/(Uses)	(7,290)	(7,422)	(132)	1.8%

Other Financing Sources/(Uses)

The increase in transfers from other funds compared to 2005-06 (\$218 million) reflects increased transfers from the Federal Health and Human Services Special Revenue Funds to the Mental Health Services Fund (\$196 million), along with higher transfers from the Dedicated Highway and Bridge Trust Fund (\$21 million), the General Fund (\$39 million), SUNY Operations (\$9 million), and the Centralized Services Fund (\$17 million) to the General Debt Service Fund and Revenue Bond Tax Fund, and modest net decreases in other transfers (\$64 million).

The \$350 million (2.8 percent) increase in transfers to other funds from 2005-06 reflects the excess beyond the debt service due on State PIT Revenue Bonds from the Revenue Bond Tax Fund (\$635 million) offset by reduced transfers to the General Fund from and the Local Government Assistance Tax Fund (\$86 million), the Clean Water Debt Service Fund (\$182 million), and others (\$17 million).

FINANCIAL PLAN RESERVES AND RISKS

RESERVES

The State's General Fund reserves total \$3.3 billion at the end of 2005-06, with nearly \$1 billion in undesignated reserves available to deal with unforeseen contingencies and \$2.3 billion designated for subsequent use. Reserves are expected to be \$3.2 billion at the end of 2006-07, with \$2.3 billion designated for future use and \$1 billion in undesignated reserves.

The \$2.3 billion of reserves designated for future use includes \$1.8 billion in a spending stabilization reserve (the Financial Plan projects the reserve will be used in equal installments in 2007-08 and 2008-09), and \$276 million to fund existing member item programs from the Community Projects Fund. Another \$250 million is currently reflected in reserves in 2006-07 for debt reduction, but is expected to be used in 2006-07 to eliminate high cost debt.

The \$1 billion of undesignated reserves includes \$944 million in the Rainy Day Reserve, after the maximum deposit of \$72 million in 2005-06, and \$21 million in the Contingency Reserve Fund for litigation risks. The Rainy Day Reserve is currently at its statutory maximum balance of 2 percent, and can be used only to respond to unforeseen mid-year budget shortfalls.

General Fund Estimated Closing Balance 2006-07			
(dollars in millions)			
	2006-07		
	30-Day	Change	Enacted
Closing Fund Balance	3,833	(559)	3,274
General Reserves			
Statutory Rainy Day Reserve Fund	945	(1)	944
Contingency Reserve Fund	21	0	21
Designated Reserves			
Spending Stabilization Reserve	2,106	(323)	1,783
Collective Bargaining Reserve	275	(275)	0
Debt Reduction Reserve	250	0	250
Community Projects Fund	236	40	276

Aside from the reserves noted above, the 2006-07 Financial Plan does not set aside specific reserves to cover potential costs that may materialize from economic and revenue risks, potential adverse rulings in pending litigation, future collective bargaining agreements with State employee unions, Federal disallowances, or other Federal actions that could adversely affect the State's projections of receipts and disbursements.

RISKS

Many complex political, social, and economic forces influence the State's economy and finances. Such forces may affect the State Financial Plan unpredictably from fiscal year to fiscal year. For example, the Financial Plan is necessarily based on forecasts of national and State economic activity. Economic forecasts have frequently failed to accurately predict the timing and magnitude of specific and cyclical changes to the national and State economies. The Financial Plan also relies on estimates and assumptions concerning Federal aid, law changes, and audit activity.

Risks to the U.S. Forecast

In addition to the risks outlined above, a shock to the economy related to geopolitical uncertainty, particularly in the form of a direct attack, remains the greatest risk to the U.S. forecast. DOB's outlook for household sector spending continues to rely on healthy growth in employment and wages, a gradual receding of inflationary pressures, a slow decline in the housing market, and the settling of interest rates at a relatively "neutral" level. If the Federal Reserve believes that the long bond term premium is permanently lower, then it might feel the need to raise short-term interest rates by more than in the past in order to preempt inflationary pressure, presenting the possibility that the Federal Reserve could overshoot. A weaker labor or housing market, or higher interest rates than expected could result in lower consumer spending than projected. Energy market speculation in the face of a tight and uncertain supply of oil remains a risk to the inflation forecast, and is compounded by risks to the value of the dollar. Finally, excessive volatility in equity prices represents an additional source of uncertainty. However, stronger job growth, lower energy prices, or lower long-term interest rates than anticipated could result in a stronger national economy than projected.

Risks to the New York Forecast

All of the risks to the U.S. forecast apply to the State forecast as well, although as the nation's financial capital, interest rate risk and equity market volatility pose a particularly large degree of uncertainty for New York. Finance and insurance sector bonuses fell 7.7 percent during the 1994-95 State fiscal year in the wake of the Federal Reserve's policy shift. This risk would become amplified should the central bank overshoot its target. The impact of rising rates on the State's housing sector also poses a risk. Should the State's real estate market cool more rapidly than anticipated, household consumption and taxable capital gains realizations could be negatively affected. These effects could ripple through the economy, depressing both employment and wage growth. In contrast, should the national and world economies grow faster than expected, a stronger upturn in stock prices, along with even stronger activity in mergers and acquisitions and other Wall Street activities, could result in higher wage and bonuses growth than projected.

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School Finance Litigation

In *Campaign for Fiscal Equity v. State of New York*, the State Court of Appeals directed the State to implement a remedy by July 30, 2004 that would guarantee that all children in New York City have the opportunity to receive a sound basic education (SBE). In August 2004, the State Supreme Court directed a panel of three Special Masters to report and make recommendations on the measures the State had taken to bring its school financing system into constitutional compliance with respect to New York City schools.

After a series of hearings, the Special Masters recommended that New York City's education operating budget should be increased by \$5.6 billion over a four-year period and that \$9.2 billion be provided in capital funds for New York City schools over a five-year period. In February 2005, Justice DeGrasse adopted the special masters' recommendations and ordered the State to comply with them within 90 days.

In April 2005, the State filed an appeal of Justice DeGrasse's order with New York State's Appellate Court. In March 2006, the Appellate Court ruled that Justice DeGrasse's order should be modified to "vacate the confirmation of the [special masters' report]." The ruling directed that "in enacting a budget for the fiscal year commencing April 1, 2006, the Governor and the Legislature consider, as within the range of constitutionally required funding for the New York City School District, as demonstrated by this record, the [State's] proposed funding plan of \$4.7 billion in additional operating funds and the [special masters'] recommended annual expenditure of \$5.63 billion, or an amount in between, phased in over four years, and that they appropriate such amount, in order to remedy the constitutional deprivations found in CFE II, and that in enacting such budget, the Governor and the Legislature implement a capital improvement plan that expends \$9.179 billion over the next five years and otherwise satisfies the City schools' constitutionally recognized needs..." The litigation is on appeal to the New York State Court of Appeals.

On April 17, 2006, the Campaign for Fiscal Equity appealed the Court of Appeals' March 2006 ruling which vacated the confirmation of the Special Masters' report. On April 18, CFE filed an appeal to issue a quick and specific order that would bring final resolution to the case. The State filed its cross-appeal on April 21, 2006. In response, the Court of Appeals set an expedited briefing schedule and is expected to set the case down for oral argument as early as September, 2006.

The 2006-07 State Budget includes a \$1.3 billion statewide increase in school aid, including an increase of \$375 million in Sound Basic Education Aid. In addition, the Budget authorizes \$11.2 billion for New York City school construction. This includes a new \$2.6 billion school capital program, with \$1.8 billion in capital grants for New York City school construction, \$400 million for other "high-needs" districts and \$400 million for other school districts. The 2006-07 State Budget also authorizes New York City's Transitional Finance Authority to issue \$9.4 billion in bonds to support New York City's

Five-Year Construction Plan, which will be supported in part by State building aid payments.

Revenues from VLTs and one-time General Fund resources will support \$700 million in Sound Basic Education Aid in 2006-07, with projected growth to \$1.0 billion in 2007-08. So far, VLTs have been implemented at five of the State's racetracks. Four other racetracks have received authorization to operate VLTs, and are in various stages of implementation. Two major facilities located at Yonkers and Aqueduct Raceways are expected to begin operations in September 2006 and October 2007, respectively, but delays are possible, especially with Aqueduct. These two facilities are expected to produce the majority of the growth of VLT receipts under current law. Any significant delay in the opening of the currently authorized facilities would adversely affect the level of VLT revenues.

The State is a defendant in several court cases that could ultimately result in costs to the State Financial Plan. For a complete summary of significant litigation affecting the State, please refer to the Annual Information Statement of the State of New York, as updated.

Federal

The Office of the Inspector General (OIG) of the United States DOH and Human Services is conducting six audits of aspects of New York State's School Supportive Health Services program with regard to Medicaid reimbursement that cover \$1.4 billion in claims submitted between 1990 and 2001. To date, OIG has issued three final audit reports, which cover claims submitted by upstate and New York City school districts for speech pathology and transportation services. The final audits recommend that the Centers for Medicare and Medicaid Services (CMS) disallow \$173 million of the \$362 million in claims for upstate speech pathology services, \$17 million of \$72 million for upstate transportation services, and \$436 million of the \$551 million in claims submitted for New York City speech pathology services. New York State disagrees with the audit findings on several grounds and has requested that these be withdrawn. If these recommended disallowances are not withdrawn Federal regulations do include an appeals process that could postpone repayment of any disallowances.

While CMS has not taken any action with regard to the disallowances recommended by OIG, CMS is deferring 25 percent of New York City claims and 9.7 percent of claims submitted by the rest of the State, pending completion of the audits. Since the State has continued to reimburse school districts for certain costs, these Federal deferrals are projected to drive additional spending of \$161 million over the next three years, which has been reflected in the State's Financial Plan.

At the request of CMS, the State discontinued intergovernmental transfer payments in 2005-06 pending the approval of a State Plan Amendment (SPA). The SPA was approved late in the 2005-06 fiscal year for a one-year term only and must be resubmitted annually. These payments are related to disproportionate share hospital

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payments to public hospitals throughout the State, including those operated by the New York City Health and Hospital Corporation, SUNY and the counties. If these payments are not approved in 2006-07 and beyond, the State's health care financing system could be adversely affected.

Other Risks

Existing labor contracts with all the State's major employee unions are set to expire at the end of 2006-07. The existing agreement covered a four-year period and included an \$800 lump sum payment and general salary increases of 2.5 percent in 2004-05, 2.75 percent in 2005-06 and 3.0 percent in 2006-07, as well as a recurring \$800 increase to base pay effective April 2007, at a cost of approximately \$2.2 billion to the General Fund and \$2.9 billion on an All Funds basis over the life of the agreement. The current Financial Plan does not set aside any reserves for future collective bargaining agreements in 2007-08 or beyond. Each future 1 percent salary increase would cost the General Fund roughly \$83 million annually and \$129 million in All Funds.

The State Financial Plan assumes the receipt of approximately \$500 million annually in miscellaneous receipts that are the subject of ongoing negotiations between the State and New York City. Actual miscellaneous receipts in 2005-06 were \$450 million less than planned levels, and there can be no assurance that a comparable shortfall will not occur in 2006-07 or in future years.

Litigation against the State also reflects an ongoing risk. Such litigation includes ongoing claims by several Indian Nations alleging wrongful possession of lands by the State and several counties, as well as claims involving the adequacy of shelter allowances for families on public assistance. Also, the State has implemented a court-ordered increase in the shelter allowance schedule for public assistance families, effective November 1, 2003. However, the plaintiffs are challenging the adequacy of the increase and thus further Court proceedings are pending.

CASH FLOW FORECAST

In 2006-07, the General Fund is projected to have quarterly-ending balances of \$4.5 billion in June 2006, \$5.5 billion in September 2006, \$3.7 billion by the end of December 2006, and \$3.3 billion at the end of March 2007. The lowest projected month-end cash flow balance is the \$3.3 billion in March. The 2006-07 General Fund cash flow estimates all final Enacted Budget actions including vetoes, veto overrides and chapter amendments as known at the time of this report. DOB's detailed monthly cash flow projections for 2006-07 are set forth in the sections entitled "Financial Plan Tables" and "Supplemental Financial Plan Information."

The Office of the State Comptroller (OSC) invests General Fund moneys, bond proceeds, and other funds not immediately required to make payments through the Short-Term Investment Pool (STIP), which is comprised of joint custody funds (Governmental Funds, Internal Service Funds, Enterprise Funds and Private Purpose Trust Funds), as well as several sole custody funds including the Tobacco Settlement Fund.

OSC is authorized to make short-term loans from STIP to cover temporary cash needs in certain funds and accounts resulting from the timing of receipts and disbursements. The Legislature authorizes the funds and accounts that may receive loans each year, based on legislation submitted with the Executive Budget. Loans may be granted only for amounts that the Director of the Budget certifies are "receivable on account" or can be repaid from the current operating receipts of the fund (i.e., loans cannot be granted in expectation of future revenue enhancements).

GAAP-BASIS FINANCIAL PLANS/GASB 45

In addition to the cash-basis Financial Plans, the General Fund and All Funds Financial Plans are prepared on a basis of GAAP in accordance with Governmental Accounting Standards Board (GASB) regulations. Tables comparing the cash basis and GAAP basis General Fund Financial Plans are provided at the end of this Financial Plan. The GAAP projections for both years are based on the accounting principles applied by the State Comptroller in the financial statements issued for 2004-05.

In 2005-06, the General Fund GAAP Financial Plan shows total revenues of \$40.9 billion, total expenditures of \$48.8 billion, and net other financing sources of \$9.8 billion, resulting in an operating surplus of \$1.9 billion, increasing the 2004-05 accumulated surplus of \$546 million to a projected accumulated surplus of \$2.4 billion. The operating results primarily reflect the moneys set aside in a spending stabilization reserve.

In 2006-07, the General Fund GAAP Financial Plan shows total revenues of \$41.1 billion, total expenditures of \$54.1 billion, and net other financing sources of \$11.4 billion, resulting in an operating deficit of \$1.5 billion and a projected accumulated surplus of \$881 million. These changes are due primarily to the impact of enacted tax reductions on revenue accruals and a partial use of the 2005-06 surplus in 2006-07.

2006-07 Enacted Budget

The projected accumulated surplus of \$881 million is roughly \$300 million higher than 2004-05 actuals.

The GAAP basis results for 2004-05 showed the State in a net positive overall financing condition of \$43.8 billion. The net positive financial condition of \$43.8 billion is before the State reflects the impact of GASB 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions". GASB 45 requires State and local governments to reflect the value of post-employment benefits, predominately health care, for current employees and retirees. The State has hired an independent actuarial consulting firm to complete the analysis of retiree health care liabilities, and expects to have results available later in the fiscal year. The value of these benefits will be reflected in the 2007-08 fiscal year GAAP-basis financial statements. It is expected that these costs may be substantial, and could significantly reduce or even potentially eliminate the current net positive condition.

DOB's detailed GAAP Financial Plans for 2005-06 through 2008-09 are provided in the sections entitled "Financial Plan Tables" and "Supplemental Financial Plan Information".

HCRA FINANCIAL PLAN

This 2006-07 Financial Plan for HCRA explains the receipts and disbursements projections for the 2005-06 through 2008-09 period. The estimates of receipts and disbursements for the current and upcoming fiscal years are also in the Financial Plan tables.

The 2005-06 Enacted Budget extended the HCRA authorization through June 30, 2007, and created a new HCRA Resources Fund. As a result, all of HCRA is now “on budget” (i.e., accounted for in the All Governmental Funds Financial Plan). Prior to 2005-06, roughly 25 percent of spending (about \$900 million in 2004-05) financed through HCRA was “off budget” (i.e., outside the Financial Plan). HCRA spending can be found in the following functions: Medicaid, Public Health, the State Office for the Aging, and the Office of Mental Health.

OVERVIEW

HCRA was established in 1996 to improve the financing system for hospitals and consolidate a range of health care expansion programs. Subsequent extensions and modifications of HCRA enabling legislation have initiated new health care programs including the FHP Program and Healthy New York, and provided additional funding for the expansion of existing programs such as Child Health Plus (CHP) program. HCRA has also provided financing for the health care industry, including investments in worker recruitment and retention and in the Health Care Equity and Affordability Law for New Yorkers (HEAL NY).

Over time, spending levels in major entitlement programs, such as CHP, FHP, and EPIC, have increased, placing added pressure on recurring revenues to keep pace with rising demands. In 2005-06, the receipt of over \$2.7 billion in health care conversion proceeds resulted in a sizeable balance at March 31, 2006. These proceeds will be used to support HCRA programs in the 2006-07 fiscal year and beyond.

However, continued growth in existing programs and additional funding for new and expanded programs added in the 2006-07 Enacted Budget, coupled with the use of nonrecurring revenues result in a projected deficit of over \$100 million by the end of 2007-08 growing to \$1.0 billion in 2008-09. Current HCRA authorization expires on June 30, 2007 at which time HCRA is estimated to have a positive balance of roughly \$282 million.

The following chart summaries the annual receipts and disbursements for the HCRA Financial Plan.

2006-07 Enacted Budget

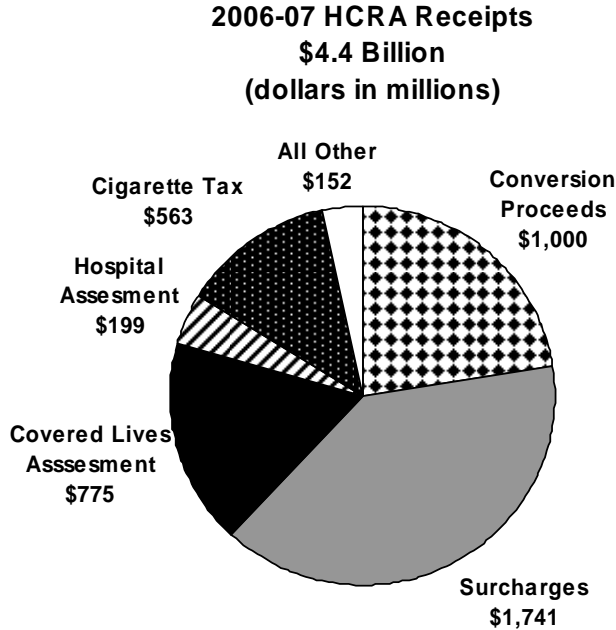
HCRA Financial Plan 2005-06 through 2008-09 (millions of dollars)				
	2005-06	2006-07	2007-08	2008-09
Opening Balance	412	1,600	600	(123)
<u>Total Receipts</u>	<u>6,014</u>	<u>4,430</u>	<u>4,569</u>	<u>4,449</u>
Conversion Proceeds	2,743	1,000	500	550
Surcharges	1,560	1,741	1,782	1,774
Covered Lives Assessment	682	775	775	775
Hospital Assessment (1 percent)	223	199	199	199
Cigarette Tax Revenue	571	563	578	570
All Other	235	152	735	581
<u>Total Disbursements</u>	<u>4,826</u>	<u>5,430</u>	<u>5,292</u>	<u>5,330</u>
Medicaid Assistance Account	1,985	2,144	1,882	1,862
HCRA Program Account (incl. GME)	869	1,135	1,100	1,106
Hospital Indigent Care	819	841	841	841
EPIC	541	582	626	626
Child Health Plus	345	365	384	384
Public Health Programs	129	156	137	137
Mental Health Programs	86	92	92	92
All Other	52	115	230	282
Change in Fund Balance	1,188	(1,000)	(723)	(881)
Closing Balance	1,600	600	(123)	(1,004)

The most significant revenue actions included in the Enacted Budget are the planned acceleration of \$500 million in additional revenues from conversion proceeds for a total of \$1.0 billion in 2006-07 and required delinquency billings for HCRA revenue payers. The recommended increase in cigarette tax and authorization of new insurance conversions to stabilize HCRA financing were not enacted.

The Enacted Budget provides targeted investments for anti-tobacco programs, Physicians Excess Medical Malpractice, and capital spending within the HEAL NY program, as well as additional funding to improve the quality of care for nursing homes, creating a new worker recruitment and retention program for home care providers, and various other initiatives.

HCRA RECEIPTS

HCRA receipts include recurring surcharges and assessments on hospital revenues, a “covered lives” assessment paid by insurance carriers, a portion of cigarette tax revenues, and other revenues dedicated by statute, as well as proceeds from insurance company conversions.



HCRA Receipts (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Conversion Proceeds	2,743	1,000	(1,743)	-63.5%
Surcharges	1,560	1,741	181	11.6%
Covered Lives Assesment	682	775	93	13.6%
Hospital Assesment (1 percent)	223	199	(24)	-10.8%
Cigarette Tax Revenue	571	563	(8)	-1.4%
All Other	235	152	(83)	-35.3%
Total Receipts	6,014	4,430	(1,584)	-26.3%

Total 2006-07 receipts are projected at \$4.4 billion, an annual decline from the prior year of \$1.6 billion mainly due to the influx of proceeds related to health care conversions in 2005-06. These proceeds are the result of the conversion of Empire Blue Cross/Blue Shield from a not-for-profit corporation to a for-profit corporation and the subsequent merger of WellChoice and WellPoint. Proceeds totaling \$2.7 billion received in 2005-06 include \$754 million in proceeds that had been received in prior years but set aside pending the resolution of ongoing litigation and another \$2.0 billion

2006-07 Enacted Budget

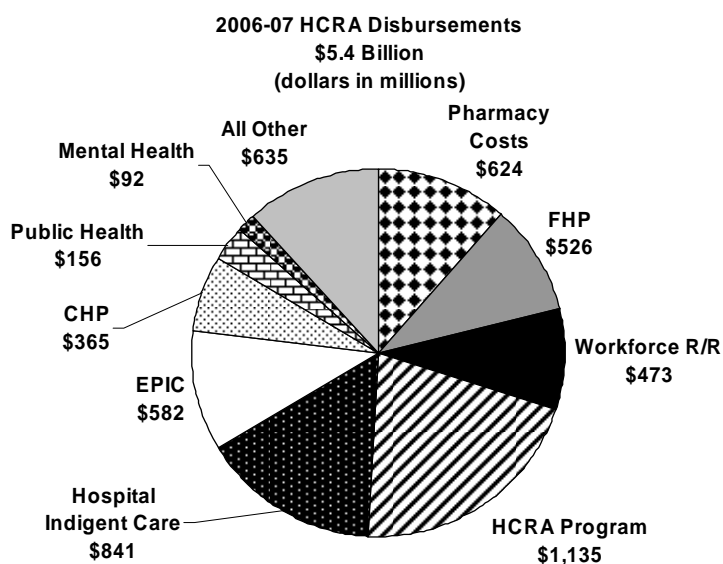
from the merger of WellChoice and WellPoint. The planned use of these proceeds reflects the divestiture of a portion of remaining WellPoint stock received as part of the merger.

Conversion proceeds are estimated to total \$1 billion in 2006-07, reflecting an accelerated divestiture of a portion of the 27 million shares of WellPoint stock held by the New York Public Asset Fund. Annual growth in all other revenue sources will provide an additional net \$159 million to finance growing HCRA programs, and include an annual increase in surcharges on hospital revenues and the “covered lives” assessment paid by insurance carriers are partially offset by an annual decline in and cigarette tax revenues, assessments on hospital revenues, and various other revenue sources.

In addition, the 2006-07 Enacted Budget includes planned General Fund support in the All Other category for HCRA in both 2007-08 and 2008-09 through the tobacco guarantee legislation (\$427 million in 2007-08 and \$486 million in 2008-09) and the repayment of a \$200 million loan from HCRA to the General Fund in 2003. Under the tobacco revenue guarantee legislation the General Fund is required to finance any shortfall up to the payment that would have been received by HCRA in that fiscal year had the State not securitized tobacco proceeds.

HCRA DISBURSEMENTS

HCRA provides support for various Medicaid, public health care and mental health programs such as hospital indigent care, EPIC, FHP, CHP, provider workforce recruitment and retention funds, Medicaid pharmacy costs, Graduate Medical Education, excess medical malpractice payments, Healthy New York, subsidy payments to the Roswell Park Cancer Institute, and various anti-tobacco and cancer-related programs.



2006-07 Enacted Budget

HCRA Disbursements (millions of dollars)				
	2005-06 Results	2006-07 Enacted	Annual Change	Percent Change
Medicaid Assistance Account:	1,985	2,144	159	8.0%
<i>Pharmacy Costs</i>	498	624	126	25.3%
<i>Family Health Plus</i>	439	526	87	19.8%
<i>Workforce Recruitment & Retention</i>	279	473	194	69.5%
<i>All Other</i>	769	521	(248)	-32.2%
HCRA Program Account	869	1,135	266	30.6%
Hospital Indigent Care	819	841	22	2.7%
EPIC	541	582	41	7.6%
Child Health Plus	345	365	20	5.8%
Public Health Programs	129	156	27	20.9%
Mental Health Progrms	86	92	6	7.0%
All Other	52	115	63	121.2%
Total Disbursements	4,826	5,430	604	12.5%

Spending from all HCRA financed programs is projected to total \$5.4 billion in 2006-07, an increase of \$604 million (12.5 percent) over the 2005-06 fiscal year. HCRA spending for 2005-06 and 2006-07 has been impacted by \$500 million due to the timing of Medicaid payments which were originally planned for 2005-06 but which will now occur in 2006-07. This transaction is reflected in the pharmacy cost category of the Medicaid Assistance Account, and results in a more stable level of spending by HCRA out of this Account.

In addition to planned spending for the major programs cited above, the Enacted Budget provides the second \$250 million appropriation for the HEAL NY capital program, including an increase of roughly \$65 million in 2006-07 disbursements, of which \$25 million is dedicated for Roswell Park Cancer Institute capital projects. Other targeted investments include additional funding for Physicians Excess Medical Malpractice, stockpiling medications and supplies for Avian Flu, an increase in anti-tobacco funding including \$15 million for Roswell Park Cancer Institute to support cancer research, bringing total funding to \$95 million, the amount recommended by the Federal Centers for Disease Control and Prevention. Additional funding is also included to improve nursing home quality, create a new worker recruitment and retention program for home care providers, enhance reimbursement rates for home care providers in rural communities, and enhance school-based services, rural health care, and infertility services.

Based on the Enacted Budget actions, DOB projects a \$600 million cash balance at the end of 2006-07 declining to approximately \$175 million on June 30, 2007, when the current HCRA statutory authorizations expire. Additional detail on quarterly receipts and disbursements is contained in the "Financial Plan Tables" section.

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2006-07 Enacted Budget

CASH FINANCIAL PLAN GENERAL FUND 2005-2006 and 2006-2007 (millions of dollars)

	2005-2006 Actuals ⁽¹⁾	2006-2007 Enacted	Change
Opening fund balance	<u>2,546</u>	<u>3,257</u>	<u>711</u>
Receipts:			
Taxes:			
Personal income tax	20,700	23,137	2,437
User taxes and fees	8,639	8,323	(316)
Business taxes	5,084	5,303	219
Other taxes	881	896	15
Miscellaneous receipts	2,018	2,846	828
Federal Grants	11	9	(2)
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,500	7,135	635
Sales tax in excess of LGAC debt service	2,295	2,208	(87)
Real estate taxes in excess of CW/CA debt service	715	533	(182)
All other	363	470	107
Total receipts	<u>47,206</u>	<u>50,860</u>	<u>3,654</u>
Disbursements:			
Grants to local governments	31,287	34,210	2,923
State operations	8,160	9,455	1,295
General State charges	3,975	4,413	438
Transfers to other funds:			
Debt service	1,710	1,749	39
Capital projects	286	219	(67)
Other purposes	1,077	797	(280)
Total disbursements	<u>46,495</u>	<u>50,843</u>	<u>4,348</u>
Change in fund balance	<u>711</u>	<u>17</u>	<u>(694)</u>
Closing fund balance	<u>3,257</u>	<u>3,274</u>	<u>17</u>
General Reserves			
Statutory Rainy Day Reserve Fund	944	944	0
Contingency Reserve Fund	21	21	0
Designated Reserves			
Spending Stabilization Reserve	2,041	1,783	(258)
Community Projects Fund	251	276	25
Debt Reduction Reserve	0	250	250

⁽¹⁾ Unaudited results.

CASH FINANCIAL PLAN
GENERAL FUND
2006-2007
(millions of dollars)

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
Opening fund balance	<u>3,301</u>	<u>(44)</u>	<u>3,257</u>
Receipts:			
Taxes:			
Personal income tax	22,720	417	23,137
User taxes and fees	8,799	(476)	8,323
Business taxes	4,999	304	5,303
Other taxes	900	(4)	896
Miscellaneous receipts	2,631	215	2,846
Federal Grants	9	0	9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,995	140	7,135
Sales tax in excess of LGAC debt service	2,356	(148)	2,208
Real estate taxes in excess of CW/CA debt service	533	0	533
All other	267	203	470
Total receipts	<u>50,209</u>	<u>651</u>	<u>50,860</u>
Disbursements:			
Grants to local governments	33,674	536	34,210
State operations	8,897	558	9,455
General State charges	4,344	69	4,413
Transfers to other funds:			
Debt service	1,745	4	1,749
Capital projects	255	(36)	219
Other purposes	762	35	797
Total disbursements	<u>49,677</u>	<u>1,166</u>	<u>50,843</u>
Change in fund balance	<u>532</u>	<u>(515)</u>	<u>17</u>
Closing fund balance	<u>3,833</u>	<u>(559)</u>	<u>3,274</u>
General Reserves			
Statutory Rainy Day Reserve Fund	945	(1)	944
Contingency Reserve Fund	21	0	21
Designated Reserves			
Spending Stabilization Reserve	2,106	(323)	1,783
Collective Bargaining Reserve	275	(275)	0
Debt Reduction Reserve	250	0	250
Community Projects Fund	236	40	276

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
GENERAL FUND
2007-2008
(millions of dollars)**

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
Receipts:			
Taxes:			
Personal income tax	22,636	1,278	23,914
User taxes and fees	9,131	(466)	8,665
Business taxes	5,083	302	5,385
Other taxes	817	150	967
Miscellaneous receipts	2,423	(55)	2,368
Federal Grants	9	0	9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	6,730	280	7,010
Sales tax in excess of LGAC debt service	2,455	(150)	2,305
Real estate taxes in excess of CW/CA debt service	515	(30)	485
All other	216	31	247
Total receipts	<u>50,015</u>	<u>1,340</u>	<u>51,355</u>
Disbursements:			
Grants to local governments	36,355	1,803	38,158
State operations	9,214	402	9,616
General State charges	4,634	108	4,742
Transfers to other funds:			
Debt service	1,780	(12)	1,768
Capital projects	242	0	242
Other purposes	652	671	1,323
Total disbursements	<u>52,877</u>	<u>2,972</u>	<u>55,849</u>
Deposit to/(use of) Community Projects Fund	<u>(50)</u>	<u>125</u>	<u>75</u>
Deposit to/(use of) Collective Bargaining Reserve	<u>160</u>	<u>(160)</u>	<u>0</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(1,053)</u>	<u>161</u>	<u>(892)</u>
Margin	<u>(1,919)</u>	<u>(1,758)</u>	<u>(3,677)</u>

CASH FINANCIAL PLAN
 GENERAL FUND
 2008-2009
 (millions of dollars)

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
Receipts:			
Taxes:			
Personal income tax	24,130	1,561	25,691
User taxes and fees	9,416	(447)	8,969
Business taxes	4,696	808	5,504
Other taxes	703	327	1,030
Miscellaneous receipts	2,192	(46)	2,146
Federal Grants	9		9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,047	267	7,314
Sales tax in excess of LGAC debt service	2,548	(144)	2,404
Real estate taxes in excess of CW/CA debt service	507	(19)	488
All other	219	32	251
Total receipts	<u>51,467</u>	<u>2,339</u>	<u>53,806</u>
Disbursements:			
Grants to local governments	39,326	1,725	41,051
State operations	9,481	402	9,883
General State charges	4,916	108	5,024
Transfers to other funds:			
Debt service	1,766	(16)	1,750
Capital projects	240	(1)	239
Other purposes	668	530	1,198
Total disbursements	<u>56,397</u>	<u>2,748</u>	<u>59,145</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) Collective Bargaining Reserve	<u>160</u>	<u>(160)</u>	<u>0</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(1,053)</u>	<u>162</u>	<u>(891)</u>
Margin	<u>(3,887)</u>	<u>(411)</u>	<u>(4,298)</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
GENERAL FUND
2006-2007 through 2008-2009
(millions of dollars)**

	<u>2006-2007 Enacted</u>	<u>2007-2008 Estimated</u>	<u>2008-2009 Estimated</u>
Receipts:			
Taxes:			
Personal income tax	23,137	23,914	25,691
User taxes and fees	8,323	8,665	8,969
Business taxes	5,303	5,385	5,504
Other taxes	896	967	1,030
Miscellaneous receipts	2,846	2,368	2,146
Federal Grants	9	9	9
Transfers from other funds:			
PIT in excess of Revenue Bond debt service	7,135	7,010	7,314
Sales tax in excess of LGAC debt service	2,208	2,305	2,404
Real estate taxes in excess of CW/CA debt service	533	485	488
All other	470	247	251
Total receipts	<u>50,860</u>	<u>51,355</u>	<u>53,806</u>
Disbursements:			
Grants to local governments	34,210	38,158	41,051
State operations	9,455	9,616	9,883
General State charges	4,413	4,742	5,024
Transfers to other funds:			
Debt service	1,749	1,768	1,750
Capital projects	219	242	239
Other purposes	797	1,323	1,198
Total disbursements	<u>50,843</u>	<u>55,849</u>	<u>59,145</u>
Deposit to/(use of) Community Projects Fund	<u>25</u>	<u>75</u>	<u>(150)</u>
Deposit to/(use of) Debt Reduction Reserve	<u>250</u>	<u>0</u>	<u>0</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(258)</u>	<u>(892)</u>	<u>(891)</u>
Margin	<u>0</u>	<u>(3,677)</u>	<u>(4,298)</u>

2006-07 Enacted Budget

**CASH RECEIPTS
GENERAL FUND
2005-2006 and 2006-2007
(millions of dollars)**

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Change</u>
Personal income tax	20,700	23,137	2,437
User taxes and fees	8,639	8,323	(316)
Sales and use tax	7,978	7,686	(292)
Cigarette and tobacco taxes	403	402	(1)
Motor fuel tax	0	0	0
Motor vehicle fees	24	0	(24)
Alcoholic beverages taxes	192	191	(1)
Alcoholic beverage control license fees	42	44	2
Auto rental tax	0	0	0
Business taxes	5,084	5,303	219
Corporation franchise tax	2,665	2,806	141
Corporation and utilities tax	591	593	2
Insurance taxes	987	1,083	96
Bank tax	841	821	(20)
Petroleum business tax	0	0	0
Other taxes	882	896	14
Estate tax	855	874	19
Gift tax	2	0	(2)
Real property gains tax	1	0	(1)
Pari-mutuel taxes	23	21	(2)
Other taxes	1	1	0
Total Taxes	<u>35,305</u>	<u>37,659</u>	<u>2,354</u>
Miscellaneous receipts	<u>2,018</u>	<u>2,846</u>	<u>828</u>
Federal Grants	<u>11</u>	<u>9</u>	<u>(2)</u>
Total	<u><u>37,334</u></u>	<u><u>40,514</u></u>	<u><u>3,180</u></u>

⁽¹⁾ Unaudited results.

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**GENERAL FUND
PERSONAL INCOME TAX COMPONENTS
2005-2006 and 2006-2007
(millions of dollars)**

	<u>2005-2006 Actuals⁽¹⁾</u>	<u>2006-2007 Enacted</u>	<u>Change</u>
Withholdings	24,761	26,410	1,649
Estimated Payments	9,158	10,180	1,022
Final Payments	1,849	2,100	251
Delinquencies	776	774	(2)
Gross Collections	36,544	39,464	2,920
State/City Offset	(466)	(440)	26
Refunds	(5,265)	(4,806)	459
Reported Tax Collections	30,813	34,218	3,405
STAR	(3,213)	(3,368)	(155)
RBTF	(6,900)	(7,713)	(813)
General Fund	<u>20,700</u>	<u>23,137</u>	<u>2,437</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

**CASH RECEIPTS
GENERAL FUND
2006-2007
(millions of dollars)**

	<u>30-Day</u>	<u>Enacted</u>	<u>Change</u>
Personal income tax	22,720	23,137	417
User taxes and fees	8,799	8,323	(476)
Sales and use tax	8,143	7,686	(457)
Cigarette and tobacco taxes	421	402	(19)
Motor fuel tax	0	0	0
Motor vehicle fees	0	0	0
Alcoholic beverages taxes	191	191	0
Alcoholic beverage control license fees	44	44	0
Auto rental tax	0	0	0
Business taxes	4,999	5,303	304
Corporation franchise tax	2,671	2,806	135
Corporation and utilities tax	593	593	0
Insurance taxes	1,068	1,083	15
Bank tax	667	821	154
Petroleum business tax	0	0	0
Other taxes	900	896	(4)
Estate tax	874	874	0
Gift tax	0	0	0
Real property gains tax	0	0	0
Pari-mutuel taxes	25	21	(4)
Other taxes	1	1	0
Total Taxes	37,418	37,659	241
Miscellaneous receipts	2,631	2,846	215
Federal Grants	9	9	0
Total	40,058	40,514	456

2006-07 Enacted Budget

**GENERAL FUND
PERSONAL INCOME TAX COMPONENTS
2006-2007
(millions of dollars)**

	<u>30-Day</u>	<u>Enacted</u>	<u>Change</u>
Withholdings	25,860	26,410	550
Estimated Payments	10,280	10,180	(100)
Final Payments	2,250	2,100	(150)
Delinquencies	<u>774</u>	<u>774</u>	<u>0</u>
Gross Collections	39,164	39,464	300
State/City Offset	(440)	(440)	0
Refunds	<u>(5,061)</u>	<u>(4,806)</u>	<u>255</u>
Reported Tax Collections	33,663	34,218	555
STAR	(3,368)	(3,368)	0
RBTF	<u>(7,575)</u>	<u>(7,713)</u>	<u>(138)</u>
General Fund	<u><u>22,720</u></u>	<u><u>23,137</u></u>	<u><u>417</u></u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
STATE FUNDS
2005-2006 and 2006-2007
(millions of dollars)**

	2005-2006 Actuals⁽¹⁾	2006-2007 30-Day	2006-2007 Enacted	Enacted vs. Actuals⁽¹⁾	Enacted vs. 30-Day
Opening fund balance	<u>4,530</u>	<u>6,300</u>	<u>6,819</u>	<u>2,289</u>	<u>519</u>
Receipts:					
Taxes	53,643	57,020	56,906	3,263	(114)
Miscellaneous receipts	18,072	16,754	18,524	452	1,770
Federal grants	13	10	10	(3)	0
Total receipts	<u>71,728</u>	<u>73,784</u>	<u>75,440</u>	<u>3,712</u>	<u>1,656</u>
Disbursements:					
Grants to local governments	44,971	48,850	49,963	4,992	1,113
State operations	13,344	14,257	14,782	1,438	525
General State charges	4,521	4,961	5,026	505	65
Debt service	3,701	4,082	4,086	385	4
Capital projects	3,186	2,860	3,243	57	383
Total disbursements	<u>69,723</u>	<u>75,010</u>	<u>77,100</u>	<u>7,377</u>	<u>2,090</u>
Other financing sources (uses):					
Transfers from other funds	16,774	17,165	17,296	522	131
Transfers to other funds	(16,649)	(16,891)	(16,907)	(258)	(16)
Bond and note proceeds	159	353	236	77	(117)
Net other financing sources (uses)	<u>284</u>	<u>627</u>	<u>625</u>	<u>341</u>	<u>(2)</u>
Change in fund balance	<u>2,289</u>	<u>(599)</u>	<u>(1,035)</u>	<u>(3,324)</u>	<u>(436)</u>
Closing fund balance	<u>6,819</u>	<u>5,701</u>	<u>5,784</u>	<u>(1,035)</u>	<u>83</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
STATE FUNDS
2006-2007
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	<u>3,257</u>	<u>3,747</u>	<u>(406)</u>	<u>221</u>	<u>6,819</u>
Receipts:					
Taxes	37,659	6,249	2,066	10,932	56,906
Miscellaneous receipts	2,846	12,433	2,580	665	18,524
Federal grants	<u>9</u>	<u>1</u>	<u>0</u>	<u>0</u>	<u>10</u>
Total receipts	<u>40,514</u>	<u>18,683</u>	<u>4,646</u>	<u>11,597</u>	<u>75,440</u>
Disbursements:					
Grants to local governments	34,210	14,813	940	0	49,963
State operations	9,455	5,262	0	65	14,782
General State charges	4,413	613	0	0	5,026
Debt service	0	0	0	4,086	4,086
Capital projects	<u>0</u>	<u>1</u>	<u>3,242</u>	<u>0</u>	<u>3,243</u>
Total disbursements	<u>48,078</u>	<u>20,689</u>	<u>4,182</u>	<u>4,151</u>	<u>77,100</u>
Other financing sources (uses):					
Transfers from other funds	10,346	1,223	341	5,386	17,296
Transfers to other funds	(2,765)	(503)	(831)	(12,808)	(16,907)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>236</u>	<u>0</u>	<u>236</u>
Net other financing sources (uses)	<u>7,581</u>	<u>720</u>	<u>(254)</u>	<u>(7,422)</u>	<u>625</u>
Change in fund balance	<u>17</u>	<u>(1,286)</u>	<u>210</u>	<u>24</u>	<u>(1,035)</u>
Closing fund balance	<u>3,274</u>	<u>2,461</u>	<u>(196)</u>	<u>245</u>	<u>5,784</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
STATE FUNDS
2007-2008
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>2,461</u>	<u>(196)</u>	<u>245</u>	<u>2,510</u>
Receipts:					
Taxes	38,931	6,412	2,150	11,260	58,753
Miscellaneous receipts	2,368	12,283	3,193	671	18,515
Federal grants	9	1	0	0	10
Total receipts	<u>41,308</u>	<u>18,696</u>	<u>5,343</u>	<u>11,931</u>	<u>77,278</u>
Disbursements:					
Grants to local governments	38,158	14,522	834	0	53,514
State operations	9,616	5,334	0	66	15,016
General State charges	4,742	622	0	0	5,364
Debt service	0	0	0	4,660	4,660
Capital projects	0	2	4,414	0	4,416
Total disbursements	<u>52,516</u>	<u>20,480</u>	<u>5,248</u>	<u>4,726</u>	<u>82,970</u>
Other financing sources (uses):					
Transfers from other funds	10,047	1,740	453	5,574	17,814
Transfers to other funds	(3,333)	(435)	(920)	(12,746)	(17,434)
Bond and note proceeds	0	0	404	0	404
Net other financing sources (uses)	<u>6,714</u>	<u>1,305</u>	<u>(63)</u>	<u>(7,172)</u>	<u>784</u>
Deposit to/(use of) Community Projects Fund	<u>75</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>75</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(892)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(892)</u>
Change in fund balance	<u>(3,677)</u>	<u>(479)</u>	<u>32</u>	<u>33</u>	<u>(4,091)</u>
Closing fund balance	<u>(3,677)</u>	<u>1,982</u>	<u>(164)</u>	<u>278</u>	<u>(1,581)</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
STATE FUNDS
2008-2009
(millions of dollars)**

	<u>General Fund</u>	<u>Special Revenue Funds</u>	<u>Capital Projects Funds</u>	<u>Debt Service Funds</u>	<u>(MEMO) Total</u>
Opening fund balance	0	1,982	(164)	278	2,096
Receipts:					
Taxes	41,194	6,621	2,167	11,956	61,938
Miscellaneous receipts	2,146	12,616	3,083	680	18,525
Federal grants	9	1	0	0	10
Total receipts	<u>43,349</u>	<u>19,238</u>	<u>5,250</u>	<u>12,636</u>	<u>80,473</u>
Disbursements:					
Grants to local governments	41,051	15,102	767	0	56,920
State operations	9,883	5,359	0	66	15,308
General State charges	5,024	639	0	0	5,663
Debt service	0	0	0	5,082	5,082
Capital projects	0	2	4,437	0	4,439
Total disbursements	<u>55,958</u>	<u>21,102</u>	<u>5,204</u>	<u>5,148</u>	<u>87,412</u>
Other financing sources (uses):					
Transfers from other funds	10,457	1,619	478	5,751	18,305
Transfers to other funds	(3,187)	(448)	(1,033)	(13,209)	(17,877)
Bond and note proceeds	0	0	531	0	531
Net other financing sources (uses)	<u>7,270</u>	<u>1,171</u>	<u>(24)</u>	<u>(7,458)</u>	<u>959</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(891)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(891)</u>
Change in fund balance	<u>(4,298)</u>	<u>(693)</u>	<u>22</u>	<u>30</u>	<u>(4,939)</u>
Closing fund balance	<u>(4,298)</u>	<u>1,289</u>	<u>(142)</u>	<u>308</u>	<u>(2,843)</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2005-2006 and 2006-2007
(millions of dollars)**

	2005-2006 Actuals⁽¹⁾	2006-2007 30-Day	2006-2007 Enacted	Enacted vs. Actuals⁽¹⁾	Enacted vs. 30-Day
Opening fund balance	<u>4,281</u>	<u>6,268</u>	<u>7,068</u>	<u>2,787</u>	<u>800</u>
Receipts:					
Taxes	53,643	57,020	56,906	3,263	(114)
Miscellaneous receipts	18,244	16,896	18,666	422	1,770
Federal grants	35,140	35,827	35,607	467	(220)
Total receipts	<u>107,027</u>	<u>109,743</u>	<u>111,179</u>	<u>4,152</u>	<u>1,436</u>
Disbursements:					
Grants to local governments	75,036	79,586	80,370	5,334	784
State operations	16,435	17,329	17,886	1,451	557
General State charges	4,735	5,203	5,277	542	74
Debt service	3,701	4,082	4,086	385	4
Capital projects	4,434	4,405	4,844	410	439
Total disbursements	<u>104,341</u>	<u>110,605</u>	<u>112,463</u>	<u>8,122</u>	<u>1,858</u>
Other financing sources (uses):					
Transfers from other funds	19,176	19,534	19,673	497	139
Transfers to other funds	(19,234)	(19,621)	(19,704)	(470)	(83)
Bond and note proceeds	159	353	236	77	(117)
Net other financing sources (uses)	<u>101</u>	<u>266</u>	<u>205</u>	<u>104</u>	<u>(61)</u>
Change in fund balance	<u>2,787</u>	<u>(596)</u>	<u>(1,079)</u>	<u>(3,866)</u>	<u>(483)</u>
Closing fund balance	<u>7,068</u>	<u>5,672</u>	<u>5,989</u>	<u>(1,079)</u>	<u>317</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

**CASH RECEIPTS
ALL GOVERNMENTAL FUNDS
2005-2006 and 2006-2007
(millions of dollars)**

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>30-Day</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Enacted</u> <u>vs.</u> <u>Actuals⁽¹⁾</u>	<u>Enacted</u> <u>vs.</u> <u>30-Day</u>
Personal income tax	30,812	33,663	34,218	3,406	555
User taxes and fees	13,923	14,694	13,683	(240)	(1,011)
Sales and use tax	11,196	11,538	10,939	(257)	(599)
Cigarette and tobacco taxes	974	1,375	965	(9)	(410)
Motor fuel tax	531	525	525	(6)	0
Motor vehicle fees	786	814	813	27	(1)
Alcoholic beverages taxes	192	191	191	(1)	0
Highway use tax	160	162	161	1	(1)
Alcoholic beverage control license fees	42	44	44	2	0
Auto rental tax	42	45	45	3	0
Business taxes	7,088	6,963	7,309	221	346
Corporation franchise tax	3,053	3,049	3,179	126	130
Corporation and utilities tax	832	780	791	(41)	11
Insurance taxes	1,083	1,166	1,186	103	20
Bank tax	974	776	961	(13)	185
Petroleum business tax	1,146	1,192	1,192	46	0
Other taxes	1,820	1,700	1,696	(124)	(4)
Estate tax	855	874	874	19	0
Gift tax	2	0	0	(2)	0
Real property gains tax	1	0	0	(1)	0
Real estate transfer tax	938	800	800	(138)	0
Pari-mutuel taxes	23	25	21	(2)	(4)
Other taxes	1	1	1	0	0
Total Taxes	<u>53,643</u>	<u>57,020</u>	<u>56,906</u>	<u>3,263</u>	<u>(114)</u>
Miscellaneous receipts	<u>18,244</u>	<u>16,896</u>	<u>18,666</u>	<u>422</u>	<u>1,770</u>
Federal grants	<u>35,140</u>	<u>35,827</u>	<u>35,607</u>	<u>467</u>	<u>(220)</u>
Total	<u><u>107,027</u></u>	<u><u>109,743</u></u>	<u><u>111,179</u></u>	<u><u>4,152</u></u>	<u><u>1,436</u></u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2006-2007
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>3,257</u>	<u>4,194</u>	<u>(604)</u>	<u>221</u>	<u>7,068</u>
Receipts:					
Taxes	37,659	6,249	2,066	10,932	56,906
Miscellaneous receipts	2,846	12,575	2,580	665	18,666
Federal grants	9	33,868	1,730	0	35,607
Total receipts	<u>40,514</u>	<u>52,692</u>	<u>6,376</u>	<u>11,597</u>	<u>111,179</u>
Disbursements:					
Grants to local governments	34,210	45,054	1,106	0	80,370
State operations	9,455	8,366	0	65	17,886
General State charges	4,413	864	0	0	5,277
Debt service	0	0	0	4,086	4,086
Capital projects	0	2	4,842	0	4,844
Total disbursements	<u>48,078</u>	<u>54,286</u>	<u>5,948</u>	<u>4,151</u>	<u>112,463</u>
Other financing sources (uses):					
Transfers from other funds	10,346	3,600	341	5,386	19,673
Transfers to other funds	(2,765)	(3,287)	(844)	(12,808)	(19,704)
Bond and note proceeds	0	0	236	0	236
Net other financing sources (uses)	<u>7,581</u>	<u>313</u>	<u>(267)</u>	<u>(7,422)</u>	<u>205</u>
Change in fund balance	<u>17</u>	<u>(1,281)</u>	<u>161</u>	<u>24</u>	<u>(1,079)</u>
Closing fund balance	<u>3,274</u>	<u>2,913</u>	<u>(443)</u>	<u>245</u>	<u>5,989</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2007-2008
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>2,913</u>	<u>(443)</u>	<u>245</u>	<u>2,715</u>
Receipts:					
Taxes	38,931	6,412	2,150	11,260	58,753
Miscellaneous receipts	2,368	12,421	3,193	671	18,653
Federal grants	9	35,428	1,823	0	37,260
Total receipts	<u>41,308</u>	<u>54,261</u>	<u>7,166</u>	<u>11,931</u>	<u>114,666</u>
Disbursements:					
Grants to local governments	38,158	46,302	1,000	0	85,460
State operations	9,616	8,456	0	66	18,138
General State charges	4,742	877	0	0	5,619
Debt service	0	0	0	4,660	4,660
Capital projects	0	3	6,050	0	6,053
Total disbursements	<u>52,516</u>	<u>55,638</u>	<u>7,050</u>	<u>4,726</u>	<u>119,930</u>
Other financing sources (uses):					
Transfers from other funds	10,047	4,113	453	5,574	20,187
Transfers to other funds	(3,333)	(3,217)	(934)	(12,746)	(20,230)
Bond and note proceeds	0	0	404	0	404
Net other financing sources (uses)	<u>6,714</u>	<u>896</u>	<u>(77)</u>	<u>(7,172)</u>	<u>361</u>
Deposit to/(use of) Community Projects Fund	<u>75</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>75</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(892)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(892)</u>
Change in fund balance	<u>(3,677)</u>	<u>(481)</u>	<u>39</u>	<u>33</u>	<u>(4,086)</u>
Closing fund balance	<u>(3,677)</u>	<u>2,432</u>	<u>(404)</u>	<u>278</u>	<u>(1,371)</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2008-2009
(millions of dollars)**

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Opening fund balance	<u>0</u>	<u>2,432</u>	<u>(404)</u>	<u>278</u>	<u>2,306</u>
Receipts:					
Taxes	41,194	6,621	2,167	11,956	61,938
Miscellaneous receipts	2,146	12,755	3,083	680	18,664
Federal grants	<u>9</u>	<u>37,178</u>	<u>1,717</u>	<u>0</u>	<u>38,904</u>
Total receipts	<u>43,349</u>	<u>56,554</u>	<u>6,967</u>	<u>12,636</u>	<u>119,506</u>
Disbursements:					
Grants to local governments	41,051	48,520	933	0	90,504
State operations	9,883	8,564	0	66	18,513
General State charges	5,024	898	0	0	5,922
Debt service	0	0	0	5,082	5,082
Capital projects	<u>0</u>	<u>3</u>	<u>5,966</u>	<u>0</u>	<u>5,969</u>
Total disbursements	<u>55,958</u>	<u>57,985</u>	<u>6,899</u>	<u>5,148</u>	<u>125,990</u>
Other financing sources (uses):					
Transfers from other funds	10,457	4,043	478	5,751	20,729
Transfers to other funds	(3,187)	(3,320)	(1,046)	(13,209)	(20,762)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>531</u>	<u>0</u>	<u>531</u>
Net other financing sources (uses)	<u>7,270</u>	<u>723</u>	<u>(37)</u>	<u>(7,458)</u>	<u>498</u>
Deposit to/(use of) Community Projects Fund	<u>(150)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(150)</u>
Deposit to/(use of) Spending Stabilization Reserve Fund	<u>(891)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(891)</u>
Change in fund balance	<u>(4,298)</u>	<u>(708)</u>	<u>31</u>	<u>30</u>	<u>(4,945)</u>
Closing fund balance	<u>(4,298)</u>	<u>1,724</u>	<u>(373)</u>	<u>308</u>	<u>(2,639)</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2006-2007
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>3,747</u>	<u>447</u>	<u>4,194</u>
Receipts:			
Taxes	6,249	0	6,249
Miscellaneous receipts	12,433	142	12,575
Federal grants	<u>1</u>	<u>33,867</u>	<u>33,868</u>
Total receipts	<u>18,683</u>	<u>34,009</u>	<u>52,692</u>
Disbursements:			
Grants to local governments	14,813	30,241	45,054
State operations	5,262	3,104	8,366
General State charges	613	251	864
Debt service	0	0	0
Capital projects	<u>1</u>	<u>1</u>	<u>2</u>
Total disbursements	<u>20,689</u>	<u>33,597</u>	<u>54,286</u>
Other financing sources (uses):			
Transfers from other funds	1,223	2,377	3,600
Transfers to other funds	(503)	(2,784)	(3,287)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>720</u>	<u>(407)</u>	<u>313</u>
Change in fund balance	<u>(1,286)</u>	<u>5</u>	<u>(1,281)</u>
Closing fund balance	<u>2,461</u>	<u>452</u>	<u>2,913</u>

CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2007-2008
(millions of dollars)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>2,461</u>	<u>452</u>	<u>2,913</u>
Receipts:			
Taxes	6,412	0	6,412
Miscellaneous receipts	12,283	138	12,421
Federal grants	<u>1</u>	<u>35,427</u>	<u>35,428</u>
Total receipts	<u>18,696</u>	<u>35,565</u>	<u>54,261</u>
Disbursements:			
Grants to local governments	14,522	31,780	46,302
State operations	5,334	3,122	8,456
General State charges	622	255	877
Debt service	0	0	0
Capital projects	<u>2</u>	<u>1</u>	<u>3</u>
Total disbursements	<u>20,480</u>	<u>35,158</u>	<u>55,638</u>
Other financing sources (uses):			
Transfers from other funds	1,740	2,373	4,113
Transfers to other funds	(435)	(2,782)	(3,217)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>1,305</u>	<u>(409)</u>	<u>896</u>
Change in fund balance	<u>(479)</u>	<u>(2)</u>	<u>(481)</u>
Closing fund balance	<u>1,982</u>	<u>450</u>	<u>2,432</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
SPECIAL REVENUE FUNDS
2008-2009
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>1,982</u>	<u>450</u>	<u>2,432</u>
Receipts:			
Taxes	6,621	0	6,621
Miscellaneous receipts	12,616	139	12,755
Federal grants	<u>1</u>	<u>37,177</u>	<u>37,178</u>
Total receipts	<u>19,238</u>	<u>37,316</u>	<u>56,554</u>
Disbursements:			
Grants to local governments	15,102	33,418	48,520
State operations	5,359	3,205	8,564
General State charges	639	259	898
Debt service	0	0	0
Capital projects	<u>2</u>	<u>1</u>	<u>3</u>
Total disbursements	<u>21,102</u>	<u>36,883</u>	<u>57,985</u>
Other financing sources (uses):			
Transfers from other funds	1,619	2,424	4,043
Transfers to other funds	(448)	(2,872)	(3,320)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>1,171</u>	<u>(448)</u>	<u>723</u>
Change in fund balance	<u>(693)</u>	<u>(15)</u>	<u>(708)</u>
Closing fund balance	<u>1,289</u>	<u>435</u>	<u>1,724</u>

CASH FINANCIAL PLAN
 CAPITAL PROJECTS FUNDS
 2006-2007
 (millions of dollars)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(406)</u>	<u>(198)</u>	<u>(604)</u>
Receipts:			
Taxes	2,066	0	2,066
Miscellaneous receipts	2,580	0	2,580
Federal grants	<u>0</u>	<u>1,730</u>	<u>1,730</u>
Total receipts	<u>4,646</u>	<u>1,730</u>	<u>6,376</u>
Disbursements:			
Grants to local governments	940	166	1,106
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>3,242</u>	<u>1,600</u>	<u>4,842</u>
Total disbursements	<u>4,182</u>	<u>1,766</u>	<u>5,948</u>
Other financing sources (uses):			
Transfers from other funds	341	0	341
Transfers to other funds	(831)	(13)	(844)
Bond and note proceeds	<u>236</u>	<u>0</u>	<u>236</u>
Net other financing sources (uses)	<u>(254)</u>	<u>(13)</u>	<u>(267)</u>
Change in fund balance	<u>210</u>	<u>(49)</u>	<u>161</u>
Closing fund balance	<u>(196)</u>	<u>(247)</u>	<u>(443)</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
CAPITAL PROJECTS FUNDS
2007-2008
(millions of dollars)**

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(196)</u>	<u>(247)</u>	<u>(443)</u>
Receipts:			
Taxes	2,150	0	2,150
Miscellaneous receipts	3,193	0	3,193
Federal grants	<u>0</u>	<u>1,823</u>	<u>1,823</u>
Total receipts	<u>5,343</u>	<u>1,823</u>	<u>7,166</u>
Disbursements:			
Grants to local governments	834	166	1,000
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>4,414</u>	<u>1,636</u>	<u>6,050</u>
Total disbursements	<u>5,248</u>	<u>1,802</u>	<u>7,050</u>
Other financing sources (uses):			
Transfers from other funds	453	0	453
Transfers to other funds	(920)	(14)	(934)
Bond and note proceeds	<u>404</u>	<u>0</u>	<u>404</u>
Net other financing sources (uses)	<u>(63)</u>	<u>(14)</u>	<u>(77)</u>
Change in fund balance	<u>32</u>	<u>7</u>	<u>39</u>
Closing fund balance	<u>(164)</u>	<u>(240)</u>	<u>(404)</u>

CASH FINANCIAL PLAN
 CAPITAL PROJECTS FUNDS
 2008-2009
 (millions of dollars)

	<u>State</u>	<u>Federal</u>	<u>Total</u>
Opening fund balance	<u>(164)</u>	<u>(240)</u>	<u>(404)</u>
Receipts:			
Taxes	2,167	0	2,167
Miscellaneous receipts	3,083	0	3,083
Federal grants	<u>0</u>	<u>1,717</u>	<u>1,717</u>
Total receipts	<u>5,250</u>	<u>1,717</u>	<u>6,967</u>
Disbursements:			
Grants to local governments	767	166	933
State operations	0	0	0
General State charges	0	0	0
Debt service	0	0	0
Capital projects	<u>4,437</u>	<u>1,529</u>	<u>5,966</u>
Total disbursements	<u>5,204</u>	<u>1,695</u>	<u>6,899</u>
Other financing sources (uses):			
Transfers from other funds	478	0	478
Transfers to other funds	(1,033)	(13)	(1,046)
Bond and note proceeds	<u>531</u>	<u>0</u>	<u>531</u>
Net other financing sources (uses)	<u>(24)</u>	<u>(13)</u>	<u>(37)</u>
Change in fund balance	<u>22</u>	<u>9</u>	<u>31</u>
Closing fund balance	<u>(142)</u>	<u>(231)</u>	<u>(373)</u>

2006-07 Enacted Budget

CASHFLOW
GENERAL FUND
2006-2007
(dollars in millions)

	2006		2007												Total Projected
	April Prelim. Actual	May Projected	June Projected	July Projected	August Projected	September Projected	October Projected	November Projected	December Projected	January Projected	February Projected	March Projected			
Opening fund balance	3,257	7,544	4,200	4,511	4,678	4,106	5,451	4,680	3,443	3,682	8,016	8,233	3,257		
Receipts:															
Taxes															
Personal income tax	4,207	696	2,405	1,319	1,534	2,208	1,005	569	1,730	4,345	1,907	1,212	23,137		
User taxes and fees	617	617	867	634	597	859	614	614	826	735	559	784	8,323		
Business taxes	296	22	1,166	73	51	1,197	53	0	1,106	67	30	1,242	5,303		
Other taxes	106	72	72	72	73	73	71	72	72	71	72	70	896		
Miscellaneous receipts	167	162	297	76	89	273	189	486	255	195	191	466	2,846		
Federal Grants	0	1	1	1	1	1	1	1	1	1	1	1	9		
Transfers from other funds															
PIT in excess of Revenue Bond debt service	1,400	201	801	439	384	763	284	56	575	1,447	225	560	7,135		
Sales tax in excess of LGAC debt service	179	17	436	190	180	192	186	185	254	224	2	163	2,208		
Real estate taxes in excess of CW/CA debt service	65	51	48	50	46	45	44	45	38	33	28	40	533		
All Other	0	0	148	60	1	10	10	6	10	0	0	225	470		
Total receipts	7,037	18,339	6,241	2,914	2,956	5,621	2,457	2,034	4,867	7,118	3,015	4,761	50,860		
Disbursements:															
Grants to local governments															
School Aid	135	1,989	1,886	113	351	1,055	538	513	1,174	327	617	6,037	14,535		
Medicaid (includes DOH and other agencies)	915	1,143	876	501	976	849	354	804	701	730	549	725	9,123		
Welfare (includes Admin)	76	198	26	154	154	22	154	154	14	154	154	(13)	1,247		
All Other	214	412	802	634	690	835	977	406	1,261	614	672	1,788	9,305		
State operations															
Personal Service	595	767	890	621	756	497	470	707	419	392	312	490	6,916		
Non-Personal Service	177	204	214	219	253	202	215	192	197	208	223	235	2,539		
General State charges	296	228	1,225	413	229	391	312	270	282	300	146	321	4,413		
Transfers to other funds															
Debt service	204	120	221	29	56	332	53	171	392	7	25	139	1,749		
Capital projects	27	85	(43)	36	40	61	82	(11)	90	24	77	(249)	219		
Other purposes	111	37	33	27	23	32	73	65	98	28	23	247	797		
Total disbursements	2,750	5,183	5,930	2,747	3,528	4,276	3,228	3,271	4,628	2,784	2,798	9,720	50,843		
Change in fund balance	4,287	(3,344)	311	167	(572)	1,345	(771)	(1,237)	239	4,334	217	(4,959)	17		
Closing fund balance	7,544	4,200	4,511	4,678	4,106	5,451	4,680	3,443	3,682	8,016	8,233	3,274	3,274		

2006-07 Enacted Budget

**CASH FLOW
SPECIAL REVENUE FUNDS
2006-2007
(millions of dollars)**

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	<u>4,194</u>	<u>5,151</u>	<u>3,424</u>	<u>2,620</u>	<u>4,194</u>
Receipts:					
Taxes	769	970	3,610	900	6,249
Miscellaneous receipts	2,259	2,953	2,954	4,409	12,575
Federal grants	<u>8,465</u>	<u>8,598</u>	<u>8,617</u>	<u>8,188</u>	<u>33,868</u>
Total receipts	<u>11,493</u>	<u>12,521</u>	<u>15,181</u>	<u>13,497</u>	<u>52,692</u>
Disbursements:					
Grants to local governments	8,799	12,331	13,812	10,112	45,054
State operations	1,561	1,758	2,164	2,883	8,366
General State charges	227	207	219	211	864
Debt service	0	0	0	0	0
Capital projects	<u>0</u>	<u>1</u>	<u>0</u>	<u>1</u>	<u>2</u>
Total disbursements	<u>10,587</u>	<u>14,297</u>	<u>16,195</u>	<u>13,207</u>	<u>54,286</u>
Other financing sources (uses):					
Transfers from other funds	883	800	893	1,024	3,600
Transfers to other funds	(832)	(751)	(683)	(1,021)	(3,287)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>51</u>	<u>49</u>	<u>210</u>	<u>3</u>	<u>313</u>
Change in fund balance	<u>957</u>	<u>(1,727)</u>	<u>(804)</u>	<u>293</u>	<u>(1,281)</u>
Closing fund balance	<u>5,151</u>	<u>3,424</u>	<u>2,620</u>	<u>2,913</u>	<u>2,913</u>

2006-07 Enacted Budget

CAPITAL PROJECTS FUNDS 2006-2007 (millions of dollars)

	First Quarter <u>(Projected)</u>	Second Quarter <u>(Projected)</u>	Third Quarter <u>(Projected)</u>	Fourth Quarter <u>(Projected)</u>	Total <u>(Projected)</u>
Opening fund balance	(604)	(399)	(382)	(366)	(604)
Receipts:					
Taxes	478	571	518	499	2,066
Miscellaneous receipts	651	658	710	561	2,580
Federal grants	363	432	485	450	1,730
Total receipts	<u>1,492</u>	<u>1,661</u>	<u>1,713</u>	<u>1,510</u>	<u>6,376</u>
Disbursements:					
Grants to local governments	148	240	289	429	1,106
State operations	0	0	0	0	0
General State charges	0	0	0	0	0
Debt service	0	0	0	0	0
Capital projects	1,125	1,250	1,350	1,117	4,842
Total disbursements	<u>1,273</u>	<u>1,490</u>	<u>1,639</u>	<u>1,546</u>	<u>5,948</u>
Other financing sources (uses):					
Transfers from other funds	129	99	117	(4)	341
Transfers to other funds	(143)	(253)	(175)	(273)	(844)
Bond and note proceeds	0	0	0	236	236
Net other financing sources (uses)	<u>(14)</u>	<u>(154)</u>	<u>(58)</u>	<u>(41)</u>	<u>(267)</u>
Change in fund balance	<u>205</u>	<u>17</u>	<u>16</u>	<u>(77)</u>	<u>161</u>
Closing fund balance	<u>(399)</u>	<u>(382)</u>	<u>(366)</u>	<u>(443)</u>	<u>(443)</u>

2006-07 Enacted Budget

**CASH FLOW
DEBT SERVICE FUNDS
2006-2007
(millions of dollars)**

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	<u>221</u>	<u>290</u>	<u>288</u>	<u>382</u>	<u>221</u>
Receipts:					
Taxes	3,275	2,498	1,890	3,269	10,932
Miscellaneous receipts	166	166	166	167	665
Federal grants	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total receipts	<u>3,441</u>	<u>2,664</u>	<u>2,056</u>	<u>3,436</u>	<u>11,597</u>
Disbursements:					
Grants to local governments	0	0	0	0	0
State operations	11	24	18	12	65
General State charges	0	0	0	0	0
Debt service	807	962	995	1,322	4,086
Capital projects	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total disbursements	<u>818</u>	<u>986</u>	<u>1,013</u>	<u>1,334</u>	<u>4,151</u>
Other financing sources (uses):					
Transfers from other funds	1,378	1,340	1,452	1,216	5,386
Transfers to other funds	(3,932)	(3,020)	(2,401)	(3,455)	(12,808)
Bond and note proceeds	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Net other financing sources (uses)	<u>(2,554)</u>	<u>(1,680)</u>	<u>(949)</u>	<u>(2,239)</u>	<u>(7,422)</u>
Change in fund balance	<u>69</u>	<u>(2)</u>	<u>94</u>	<u>(137)</u>	<u>24</u>
Closing fund balance	<u>290</u>	<u>288</u>	<u>382</u>	<u>245</u>	<u>245</u>

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
 PROPRIETARY AND FIDUCIARY FUNDS
 2005-2006 ⁽¹⁾
 (millions of dollars)**

	<u>Internal Service</u>	<u>Enterprise</u>	<u>Fiduciary</u>
Opening fund balance	<u>(35)</u>	<u>58</u>	<u>10</u>
Receipts:			
Unemployment taxes	0	2,303	0
Miscellaneous receipts	510	76	0
Federal grants	0	46	0
Total receipts	<u>510</u>	<u>2,425</u>	<u>0</u>
Disbursements:			
Grants to local governments	0	0	0
State operations	513	69	0
Unemployment benefits	0	2,326	0
General State charges	48	2	0
Debt service	3	0	0
Capital projects	0	0	0
Total disbursements	<u>564</u>	<u>2,397</u>	<u>0</u>
Other financing sources (uses):			
Transfers from other funds	101	0	0
Transfers to other funds	(36)	0	(7)
Bond & Note Proceeds	0	0	0
Net other financing sources (uses)	<u>65</u>	<u>0</u>	<u>(7)</u>
Change in fund balance	<u>11</u>	<u>28</u>	<u>(7)</u>
Closing fund balance	<u>(24)</u>	<u>86</u>	<u>3</u>

⁽¹⁾ Unaudited results.

CASH FINANCIAL PLAN
 PROPRIETARY AND FIDUCIARY FUNDS
 2006-2007
 (millions of dollars)

	<u>Internal Service</u>	<u>Enterprise</u>	<u>Fiduciary</u>
Opening fund balance	<u>(24)</u>	<u>86</u>	<u>3</u>
Receipts:			
Unemployment taxes	0	2,775	0
Miscellaneous receipts	691	76	1
Federal grants	0	25	0
Total receipts	<u>691</u>	<u>2,876</u>	<u>1</u>
Disbursements:			
Grants to local governments	0	0	0
State operations	701	76	0
Unemployment benefits	0	2,800	0
General State charges	55	2	0
Debt service	21	0	0
Capital Projects	0	0	0
Total disbursements	<u>777</u>	<u>2,878</u>	<u>0</u>
Other financing sources (uses):			
Transfers from other funds	96	0	0
Transfers to other funds	(65)	0	0
Bond & Note Proceeds	0	0	0
Net other financing sources (uses)	<u>31</u>	<u>0</u>	<u>0</u>
Change in fund balance	<u>(55)</u>	<u>(2)</u>	<u>1</u>
Closing fund balance	<u>(79)</u>	<u>84</u>	<u>4</u>

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND (thousands of dollars)

	2005-2006 Actuals ⁽¹⁾	2006-2007 Enacted	Annual Change
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	45,628	60,180	14,552
Banking Department	0	250	250
Consumer Protection Board	19	0	(19)
Economic Development, Department of	38,581	53,180	14,599
Empire State Development Corporation	29,758	53,898	24,140
Housing and Community Renewal, Division of	76,297	78,223	1,926
Olympic Regional Development Authority	8,350	7,986	(364)
Science, Technology and Academic Research, Office of	41,117	47,507	6,390
Functional Total	239,750	301,224	61,474
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,278	4,555	277
Environmental Conservation, Department of	103,232	130,083	26,851
Parks, Recreation and Historic Preservation, Office of	112,691	125,995	13,304
Functional Total	220,201	260,633	40,432
TRANSPORTATION			
Motor Vehicles, Department of	74	0	(74)
Transportation, Department of	149,407	60,516	(88,891)
Functional Total	149,481	60,516	(88,965)
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	18	0	(18)
Aging, Office for the	72,448	100,474	28,026
Children and Family Services, Office of	1,434,861	1,578,641	143,780
Health, Department of	9,160,956	9,708,528	547,572
<i>Medical Assistance</i>	8,290,981	8,793,526	502,545
<i>Medicaid Administration</i>	190,880	119,950	(70,930)
<i>All Other</i>	679,095	795,052	115,957
Human Rights, Division of	12,814	13,178	364
Labor, Department of	8,257	17,874	9,617
Medicaid Inspector General, Office of	0	15,475	15,475
Prevention of Domestic Violence, Office of	1,921	2,509	588
Temporary and Disability Assistance, Office of	1,345,401	1,339,043	(6,358)
<i>Welfare Assistance</i>	882,398	863,903	(18,495)
<i>Welfare Administration</i>	368,537	382,897	14,360
<i>All Other</i>	94,466	92,243	(2,223)
Welfare Inspector General, Office of	671	378	(293)
Functional Total	12,037,347	12,776,100	738,753
MENTAL HEALTH			
Mental Health, Office of	1,357,517	1,617,298	259,781
Mental Retardation and Developmental Disabilities, Office of	864,472	913,010	48,538
Alcohol and Substance Abuse Services, Office of	299,793	343,096	43,303
Quality of Care for the Mentally Disabled, Commission on	3,802	4,575	773
Functional Total	2,525,584	2,877,979	352,395

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND (thousands of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
PUBLIC PROTECTION			
Capital Defenders Office	4,572	1,200	(3,372)
Correction, Commission of	2,510	2,607	97
Correctional Services, Department of	2,035,287	2,584,518	549,231
Crime Victims Board	3,655	4,274	619
Criminal Justice Services, Division of	90,456	138,267	47,811
Homeland Security	9,142	66,318	57,176
Investigation, Temporary State Commission of	3,403	3,651	248
Judicial Commissions	2,714	2,888	174
Military and Naval Affairs, Division of	50,628	58,656	8,028
Parole, Division of	190,969	201,322	10,353
Probation and Correctional Alternatives, Division of	69,179	77,658	8,479
State Police, Division of	454,215	460,837	6,622
Functional Total	<u>2,916,730</u>	<u>3,602,196</u>	<u>685,466</u>
EDUCATION			
Arts, Council on the	41,965	50,156	8,191
City University of New York	504,291	970,333	466,042
Education, Department of	14,990,259	16,278,104	1,287,845
<i>School Aid</i>	<u>13,499,886</u>	<u>14,534,915</u>	<u>1,035,029</u>
<i>Handicapped</i>	884,328	986,058	101,730
<i>All Other</i>	606,045	757,131	151,086
Higher Education Services Corporation	889,328	871,850	(17,478)
State University of New York	1,363,492	1,629,930	266,438
Functional Total	<u>17,789,335</u>	<u>19,800,373</u>	<u>2,011,038</u>
GENERAL GOVERNMENT			
Audit and Control, Department of	167,788	171,851	4,063
Budget, Division of the	27,970	31,740	3,770
Civil Service, Department of	25,391	22,359	(3,032)
Elections, State Board of	3,764	9,688	5,924
Employee Relations, Office of	3,553	3,768	215
Executive Chamber	13,937	15,480	1,543
General Services, Office of	146,577	166,393	19,816
Inspector General, Office of	4,446	4,783	337
Law, Department of	119,041	130,578	11,537
Lieutenant Governor, Office of the	348	485	137
Real Property Services, Office of	13,645	22,713	9,068
Regulatory Reform, Governor's Office of	3,661	3,744	83
State Labor Relations Board	3,508	3,539	31
State, Department of	20,159	24,926	4,767
Tax Appeals, Division of	2,958	3,423	465
Taxation and Finance, Department of	312,337	322,752	10,415
Technology, Office for	20,789	22,818	2,029
TSC Lobbying	1,288	2,474	1,186
Veterans Affairs, Division of	10,823	11,684	861
Functional Total	<u>901,983</u>	<u>975,198</u>	<u>73,215</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND (thousands of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
ALL OTHER CATEGORIES			
Legislature	210,051	212,913	2,862
Judiciary (excluding fringe benefits)	1,432,414	1,622,529	190,115
Local Government Assistance	1,018,896	1,176,592	157,696
Long-Term Debt Service	1,709,837	1,748,839	39,002
Capital Projects	285,524	219,204	(66,320)
General State Charges/Miscellaneous	5,057,585	5,208,690	151,105
Functional Total	<u>9,714,307</u>	<u>10,188,767</u>	<u>474,460</u>
TOTAL GENERAL FUND SPENDING	<u>46,494,718</u>	<u>50,842,986</u>	<u>4,348,268</u>

⁽¹⁾ Unaudited results.

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2005-2006 Actuals ⁽¹⁾	2006-2007 Enacted	Annual Change
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	69,085	91,277	22,192
Alcoholic Beverage Control	10,286	12,091	1,805
Banking Department	56,278	59,783	3,505
Consumer Protection Board	2,622	3,007	385
Economic Development, Department of	434,975	360,331	(74,644)
Empire State Development Corporation	31,628	120,398	88,770
Energy Research and Development Authority	26,151	32,656	6,505
Housing and Community Renewal, Division of	187,999	232,092	44,093
Insurance Department	124,142	152,644	28,502
Olympic Regional Development Authority	8,550	13,886	5,336
Public Service, Department of	49,147	51,792	2,645
Science, Technology and Academic Research, Office of	53,719	64,453	10,734
Functional Total	1,054,582	1,194,410	139,828
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,278	4,555	277
Environmental Conservation, Department of	629,070	712,673	83,603
Environmental Facilities Corporation	8,034	14,258	6,224
Parks, Recreation and Historic Preservation, Office of	225,257	263,372	38,115
Functional Total	866,639	994,858	128,219
TRANSPORTATION			
Motor Vehicles, Department of	226,411	263,239	36,828
Thruway Authority	1,671	2,000	329
Metropolitan Transportation Authority	38,078	38,050	(28)
Transportation, Department of	4,171,041	4,350,810	179,769
Functional Total	4,437,201	4,654,099	216,898
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	18	0	(18)
Aging, Office for the	73,259	103,525	30,266
Children and Family Services, Office of	1,456,662	1,613,372	156,710
Health, Department of	14,841,827	16,358,023	1,516,196
<i>Medical Assistance</i>	11,522,379	12,498,263	975,884
<i>Medicaid Administration</i>	190,880	119,950	(70,930)
<i>All Other</i>	3,128,568	3,739,810	611,242
Human Rights, Division of	12,814	13,184	370
Labor, Department of	78,423	72,665	(5,758)
Medicaid Inspector General, Office of	1,049	15,475	14,426
Prevention of Domestic Violence, Office of	1,921	2,539	618

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION STATE FUNDS (thousands of dollars)

	2005-2006 Actuals ⁽¹⁾	2006-2007 Enacted	Annual Change
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	1,426,236	1,412,393	(13,843)
<i>Welfare Assistance</i>	882,398	863,903	(18,495)
<i>Welfare Administration</i>	368,537	382,897	14,360
<i>All Other</i>	175,301	165,593	(9,708)
Welfare Inspector General, Office of	671	378	(293)
Workers' Compensation Board	138,436	144,034	5,598
Functional Total	18,031,316	19,735,588	1,704,272
MENTAL HEALTH			
Mental Health, Office of	1,700,086	1,942,542	242,456
Mental Hygiene, Department of	8,138	8,645	507
Mental Retardation and Developmental Disabilities, Office of	971,343	1,097,725	126,382
Alcohol and Substance Abuse Services, Office of	335,672	388,806	53,134
Quality of Care for the Mentally Disabled, Commission on	3,968	4,924	956
Functional Total	3,019,207	3,442,642	423,435
PUBLIC PROTECTION			
Capital Defenders Office	4,572	1,200	(3,372)
Correction, Commission of	2,510	2,607	97
Correctional Services, Department of	2,284,993	2,836,900	551,907
Crime Victims Board	24,806	169,903	145,097
Criminal Justice Services, Division of	104,457	30,398	(74,059)
Homeland Security	15,852	77,545	61,693
Investigation, Temporary State Commission of	3,586	3,934	348
Judicial Commissions	2,714	2,888	174
Military and Naval Affairs, Division of	66,359	79,344	12,985
Parole, Division of	190,969	201,355	10,386
Probation and Correctional Alternatives, Division of	69,179	77,658	8,479
State Police, Division of	591,065	622,828	31,763
Functional Total	3,361,062	4,106,560	745,498
EDUCATION			
Arts, Council on the	42,165	50,856	8,691
City University of New York	796,137	1,552,862	756,725
Education, Department of	20,587,693	24,235,821	3,648,128
<i>School Aid</i>	15,775,588	18,994,170	3,218,582
<i>STAR Property Tax Relief</i>	3,213,204	3,368,000	154,796
<i>Handicapped</i>	884,328	986,058	101,730
<i>All Other</i>	714,573	887,593	173,020
Higher Education Services Corporation	1,014,692	991,422	(23,270)
State University Construction Fund	10,013	12,077	2,064
State University of New York	4,907,618	5,346,147	438,529
Functional Total	27,358,318	32,189,185	4,830,867

⁽¹⁾ Unaudited results.

CASH DISBURSEMENTS BY FUNCTION
STATE FUNDS
(thousands of dollars)

	2005-2006 Actuals ⁽¹⁾	2006-2007 Enacted	Annual Change
GENERAL GOVERNMENT			
Audit and Control, Department of	225,148	232,399	7,251
Budget, Division of the	37,423	52,215	14,792
Civil Service, Department of	26,391	23,958	(2,433)
Elections, State Board of	3,769	9,868	6,099
Employee Relations, Office of	3,579	3,956	377
Executive Chamber	13,937	15,480	1,543
General Services, Office of	254,267	264,552	10,285
Inspector General, Office of	5,336	6,369	1,033
Law, Department of	158,701	174,124	15,423
Lieutenant Governor, Office of the	348	485	137
Lottery, Division of	176,524	201,365	24,841
Racing and Wagering Board, State	13,093	19,133	6,040
Real Property Services, Office of	43,830	56,112	12,282
Regulatory Reform, Governor's Office of	3,661	3,744	83
State Labor Relations Board	3,508	3,776	268
State, Department of	76,116	127,919	51,803
Tax Appeals, Division of	2,958	3,423	465
Taxation and Finance, Department of	341,429	358,103	16,674
Technology, Office for	21,018	22,818	1,800
TSC Lobbying	1,572	3,029	1,457
Veterans Affairs, Division of	10,823	11,684	861
Functional Total	1,423,431	1,594,512	171,081
ALL OTHER CATEGORIES			
Legislature	210,051	213,863	3,812
Judiciary (excluding fringe benefits)	1,613,669	1,838,698	225,029
Local Government Assistance	1,018,896	1,176,592	157,696
Long-Term Debt Service	3,702,254	4,085,928	383,674
General State Charges/Miscellaneous	4,643,772	4,975,362	331,590
Capital GAAP Adjustments ⁽²⁾	(1,017,218)	(3,101,868)	(2,084,650)
Functional Total	10,171,424	9,188,575	(982,849)
TOTAL STATE FUNDS SPENDING	69,723,180	77,100,429	7,377,249

⁽¹⁾ Unaudited results.

⁽²⁾ Reflects an accounting adjustment for certain capital spending that is not reported in actual cash spending results, but is reported in the State's GAAP Financial Statements. This spending is related to programs which are financed directly from bond proceeds that are on deposit at various public authorities rather than from a short-term loan from Short-Term Investment Pool or cash from the General Fund, and has been included in the above agency totals and removed from net spending totals. The detailed amounts by agency are presented on the table entitled "Capital Off-Budget Spending".

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION ALL GOVERNMENTAL FUNDS (thousands of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	84,036	106,845	22,809
Alcoholic Beverage Control	10,286	12,091	1,805
Banking Department	56,278	59,783	3,505
Consumer Protection Board	2,622	3,007	385
Economic Development, Department of	435,010	360,676	(74,334)
Empire State Development Corporation	31,628	120,398	88,770
Energy Research and Development Authority	26,151	32,656	6,505
Housing and Community Renewal, Division of	256,949	307,136	50,187
Insurance Department	124,142	152,644	28,502
Olympic Regional Development Authority	8,550	13,886	5,336
Public Service, Department of	50,453	53,093	2,640
Science, Technology and Academic Research, Office of	59,411	70,078	10,667
Functional Total	<u>1,145,516</u>	<u>1,292,293</u>	<u>146,777</u>
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,398	4,905	507
Environmental Conservation, Department of	814,171	856,564	42,393
Environmental Facilities Corporation	8,034	14,258	6,224
Parks, Recreation and Historic Preservation, Office of	231,390	268,670	37,280
Functional Total	<u>1,057,993</u>	<u>1,144,397</u>	<u>86,404</u>
TRANSPORTATION			
Motor Vehicles, Department of	238,186	289,626	51,440
Thruway Authority	1,671	2,000	329
Metropolitan Transportation Authority	38,078	38,050	(28)
Transportation, Department of	5,638,018	5,945,500	307,482
Functional Total	<u>5,915,953</u>	<u>6,275,176</u>	<u>359,223</u>
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	18	0	(18)
Aging, Office for the	178,683	207,058	28,375
Children and Family Services, Office of	3,174,373	2,922,055	(252,318)
Health, Department of	35,186,395	36,727,647	1,541,252
<i>Medical Assistance</i>	30,209,572	31,305,407	1,095,835
<i>Medicaid Administration</i>	575,158	482,600	(92,558)
<i>All Other</i>	4,401,665	4,939,640	537,975
Human Rights, Division of	14,942	15,127	185
Labor, Department of	569,032	559,605	(9,427)
Medicaid Inspector General, Office of	1,049	30,950	29,901
Prevention of Domestic Violence, Office of	1,969	2,539	570

⁽¹⁾ Unaudited results.

CASH DISBURSEMENTS BY FUNCTION
ALL GOVERNMENTAL FUNDS
(thousands of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
HEALTH AND SOCIAL WELFARE (Continued)			
Temporary and Disability Assistance, Office of	4,389,984	4,825,210	435,226
<i>Welfare Assistance</i>	2,979,052	3,440,268	461,216
<i>Welfare Administration</i>	368,537	382,897	14,360
<i>All Other</i>	1,042,395	1,002,045	(40,350)
Welfare Inspector General, Office of	1,004	1,178	174
Workers' Compensation Board	140,892	144,816	3,924
Functional Total	<u>43,658,341</u>	<u>45,436,185</u>	<u>1,777,844</u>
MENTAL HEALTH			
Mental Health, Office of	2,318,666	2,466,227	147,561
Mental Hygiene, Department of	9,370	8,645	(725)
Mental Retardation and Developmental Disabilities, Office of	2,949,259	3,138,640	189,381
Alcohol and Substance Abuse Services, Office of	483,212	534,893	51,681
Developmental Disabilities Planning Council	4,081	3,648	(433)
Quality of Care for the Mentally Disabled, Commission on	12,650	14,116	1,466
Functional Total	<u>5,777,238</u>	<u>6,166,169</u>	<u>388,931</u>
PUBLIC PROTECTION			
Capital Defenders Office	4,572	1,200	(3,372)
Correction, Commission of	2,515	2,607	92
Correctional Services, Department of	2,315,295	2,895,971	580,676
Crime Victims Board	55,565	62,016	6,451
Criminal Justice Services, Division of	183,873	325,454	141,581
Homeland Security	19,586	282,278	262,692
Investigation, Temporary State Commission of	3,586	3,934	348
Judicial Commissions	2,714	2,888	174
Military and Naval Affairs, Division of	165,839	188,572	22,733
Parole, Division of	193,231	201,355	8,124
Probation and Correctional Alternatives, Division of	69,397	77,658	8,261
State Police, Division of	598,904	626,804	27,900
Functional Total	<u>3,615,077</u>	<u>4,670,737</u>	<u>1,055,660</u>
EDUCATION			
Arts, Council on the	42,825	52,125	9,300
City University of New York	796,137	1,552,862	756,725
Education, Department of	24,238,340	27,953,982	3,715,642
<i>School Aid</i>	18,549,645	21,784,170	3,234,525
<i>STAR Property Tax Relief</i>	3,213,204	3,368,000	154,796
<i>Handicapped</i>	1,560,076	1,671,058	110,982
<i>All Other</i>	915,415	1,130,754	215,339
Higher Education Services Corporation	1,018,291	1,001,919	(16,372)
State University Construction Fund	10,013	12,077	2,064
State University of New York	5,066,096	5,508,717	442,621
Functional Total	<u>31,171,702</u>	<u>36,081,682</u>	<u>4,909,980</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION ALL GOVERNMENTAL FUNDS (thousands of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
GENERAL GOVERNMENT			
Audit and Control, Department of	225,148	232,399	7,251
Budget, Division of the	37,423	52,215	14,792
Civil Service, Department of	26,391	23,958	(2,433)
Elections, State Board of	4,206	215,119	210,913
Employee Relations, Office of	3,579	3,956	377
Executive Chamber	13,937	15,480	1,543
General Services, Office of	260,291	269,018	8,727
Inspector General, Office of	5,336	6,369	1,033
Law, Department of	182,175	200,056	17,881
Lieutenant Governor, Office of the	348	485	137
Lottery, Division of	176,524	201,365	24,841
Racing and Wagering Board, State	13,093	19,133	6,040
Real Property Services, Office of	43,830	56,112	12,282
Regulatory Reform, Governor's Office of	3,661	3,744	83
State Labor Relations Board	3,508	3,776	268
State, Department of	132,559	189,763	57,204
Tax Appeals, Division of	2,958	3,423	465
Taxation and Finance, Department of	341,429	358,381	16,952
Technology, Office for	21,018	22,818	1,800
TSC Lobbying	1,572	3,029	1,457
Veterans Affairs, Division of	11,812	12,697	885
Functional Total	<u>1,510,798</u>	<u>1,893,296</u>	<u>382,498</u>
ALL OTHER CATEGORIES			
Legislature	210,051	213,863	3,812
Judiciary (excluding fringe benefits)	1,618,170	1,846,198	228,028
World Trade Center	81,607	32,550	(49,057)
Local Government Assistance	1,018,896	1,176,592	157,696
Long-Term Debt Service	3,702,254	4,085,928	383,674
General State Charges/Miscellaneous	4,875,058	5,250,182	375,124
Capital GAAP Adjustments ⁽²⁾	(1,017,218)	(3,101,868)	(2,084,650)
Functional Total	<u>10,488,818</u>	<u>9,503,445</u>	<u>(985,373)</u>
TOTAL ALL GOVERNMENTAL FUNDS SPENDING	<u>104,341,436</u>	<u>112,463,380</u>	<u>8,121,944</u>

⁽¹⁾ Unaudited results.

⁽²⁾ Reflects an accounting adjustment for certain capital spending that is not reported in actual cash spending results, but is reported in the State's GAAP Financial Statements. This spending is related to programs which are financed directly from bond proceeds that are on deposit at various public authorities rather than from a short-term loan from Short-Term Investment Pool or cash from the General Fund, and has been included in the above agency totals and removed from net spending totals. The detailed amounts by agency are presented on the table entitled "Capital Off-Budget Spending".

CAPITAL OFF-BUDGET SPENDING
(thousands of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT		
Economic Development	212,262	154,624
Empire State Development Corporation	1,870	7,500
Functional Total	<u>214,132</u>	<u>162,124</u>
TRANSPORTATION		
Transportation, Department of	316,973	348,457
Functional Total	<u>316,973</u>	<u>348,457</u>
HEALTH AND SOCIAL WELFARE		
Health All Other	2,020	10,150
Functional Total	<u>2,020</u>	<u>10,150</u>
MENTAL HEALTH		
Mental Health, Office of	120,439	3,214
Mental Retardation and Developmental Disabilities, Office of	23,959	82,500
Alcohol and Substance Abuse Services, Office of	802	35,584
Functional Total	<u>145,200</u>	<u>121,298</u>
EDUCATION		
City University of New York	177,415	453,429
Education, Department of		
<i>School Aid</i>	0	1,800,000
<i>All Other</i>	2,497	6,410
State University of New York	109,235	125,000
Functional Total	<u>289,147</u>	<u>2,384,839</u>
ALL OTHER CATEGORIES		
State Equipment	49,746	75,000
Functional Total	<u>49,746</u>	<u>75,000</u>
TOTAL CAPITAL OFF-BUDGET SPENDING	<u>1,017,218</u>	<u>3,101,868</u>

⁽¹⁾ Unaudited results.

Reflects certain capital spending that is not reported in actual cash spending results, but is reported in the State's GAAP Financial Statements. This spending is related to programs which are financed directly from bond proceeds that are on deposit at various public authorities rather than from a short-term loan from Short-Term Investment Pool or cash from the General Fund, and has been included in the above agency totals.

2006-07 Enacted Budget

**CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
2006-2007
(thousands of dollars)**

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
ECONOMIC DEVELOPMENT AND GOVERNMENT OVERSIGHT			
Agriculture and Markets, Department of	47,134	13,046	60,180
Banking Department	0	250	250
Consumer Protection Board	0	0	0
Economic Development, Department of	41,130	12,050	53,180
Empire State Development Corporation	41,000	12,898	53,898
Housing and Community Renewal, Division of	70,612	7,611	78,223
Olympic Regional Development Authority	7,986	0	7,986
Science, Technology and Academic Research, Office of	46,057	1,450	47,507
Functional Total	<u>253,919</u>	<u>47,305</u>	<u>301,224</u>
PARKS AND THE ENVIRONMENT			
Adirondack Park Agency	4,555	0	4,555
Environmental Conservation, Department of	117,439	12,644	130,083
Parks, Recreation and Historic Preservation, Office of	119,570	6,425	125,995
Functional Total	<u>241,564</u>	<u>19,069</u>	<u>260,633</u>
TRANSPORTATION			
Motor Vehicles, Department of	0	0	0
Transportation, Department of	60,516	0	60,516
Functional Total	<u>60,516</u>	<u>0</u>	<u>60,516</u>
HEALTH AND SOCIAL WELFARE			
Advocate for Persons with Disabilities, Office of	0	0	0
Aging, Office for the	96,423	4,051	100,474
Children and Family Services, Office of	1,544,242	34,399	1,578,641
Health, Department of	9,720,595	(12,067)	9,708,528
<i>Medical Assistance</i>	8,840,526	(47,000)	8,793,526
<i>Medicaid Administration</i>	119,950	0	119,950
<i>All Other</i>	760,119	34,933	795,052
Human Rights, Division of	13,178	0	13,178
Labor, Department of	3,720	14,154	17,874
Medicaid Inspector General, Office of	15,475	0	15,475
Prevention of Domestic Violence, Office of	2,509	0	2,509
Temporary and Disability Assistance, Office of	1,374,114	(35,071)	1,339,043
<i>Welfare Assistance</i>	893,882	(29,979)	863,903
<i>Welfare Administration</i>	382,897	0	382,897
<i>All Other</i>	97,335	(5,092)	92,243
Welfare Inspector General, Office of	778	(400)	378
Functional Total	<u>12,771,034</u>	<u>5,066</u>	<u>12,776,100</u>
MENTAL HEALTH			
Mental Health, Office of	1,579,503	37,795	1,617,298
Mental Retardation and Developmental Disabilities, Office of	915,330	(2,320)	913,010
Alcohol and Substance Abuse Services, Office of	335,471	7,625	343,096
Quality of Care for the Mentally Disabled, Commission on	4,632	(57)	4,575
Functional Total	<u>2,834,936</u>	<u>43,043</u>	<u>2,877,979</u>

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION GENERAL FUND 2006-2007 (thousands of dollars)

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
PUBLIC PROTECTION			
Capital Defenders Office	700	500	1,200
Correction, Commission of	2,607	0	2,607
Correctional Services, Department of	2,112,393	472,125	2,584,518
Crime Victims Board	4,274	0	4,274
Criminal Justice Services, Division of	87,511	50,756	138,267
Homeland Security	26,522	39,796	66,318
Investigation, Temporary State Commission of	3,467	184	3,651
Judicial Commissions	2,888	0	2,888
Military and Naval Affairs, Division of	29,626	29,030	58,656
Parole, Division of	199,172	2,150	201,322
Probation and Correctional Alternatives, Division of	77,412	246	77,658
State Police, Division of	448,837	12,000	460,837
Functional Total	<u>2,995,409</u>	<u>606,787</u>	<u>3,602,196</u>
EDUCATION			
Arts, Council on the	45,656	4,500	50,156
City University of New York	911,652	58,681	970,333
Education, Department of	16,084,999	193,105	16,278,104
<i>School Aid</i>	13,987,501	547,414	14,534,915
<i>STAR Property Tax Relief</i>	530,000	(530,000)	0
<i>Handicapped</i>	986,058	0	986,058
<i>All Other</i>	581,440	175,691	757,131
Higher Education Services Corporation	783,100	88,750	871,850
State University of New York	1,460,165	169,765	1,629,930
Functional Total	<u>19,285,572</u>	<u>514,801</u>	<u>19,800,373</u>
GENERAL GOVERNMENT			
Audit and Control, Department of	171,851	0	171,851
Budget, Division of the	31,630	110	31,740
Civil Service, Department of	23,359	(1,000)	22,359
Elections, State Board of	4,688	5,000	9,688
Employee Relations, Office of	3,768	0	3,768
Executive Chamber	15,480	0	15,480
General Services, Office of	166,393	0	166,393
Inspector General, Office of	4,783	0	4,783
Law, Department of	126,078	4,500	130,578
Lieutenant Governor, Office of the	485	0	485
Real Property Services, Office of	20,713	2,000	22,713
Regulatory Reform, Governor's Office of	3,744	0	3,744
State Labor Relations Board	3,464	75	3,539
State, Department of	18,562	6,364	24,926
Tax Appeals, Division of	3,098	325	3,423
Taxation and Finance, Department of	323,352	(600)	322,752
Technology, Office for	22,818	0	22,818
TSC Lobbying	2,244	230	2,474
Veterans Affairs, Division of	11,684	0	11,684
Functional Total	<u>958,194</u>	<u>17,004</u>	<u>975,198</u>

2006-07 Enacted Budget

CASH DISBURSEMENTS BY FUNCTION
GENERAL FUND
2006-2007
(thousands of dollars)

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
ALL OTHER CATEGORIES			
Legislature	212,913	0	212,913
Judiciary (excluding fringe benefits)	1,598,300	24,229	1,622,529
Local Government Assistance	1,111,150	65,442	1,176,592
Long-Term Debt Service	1,744,544	4,295	1,748,839
Capital Projects	254,904	(35,700)	219,204
General State Charges/Miscellaneous	5,354,002	(145,312)	5,208,690
Functional Total	<u>10,275,813</u>	<u>(87,046)</u>	<u>10,188,767</u>
TOTAL GENERAL FUND SPENDING	<u>49,676,957</u>	<u>1,166,029</u>	<u>50,842,986</u>

CASH FINANCIAL PLAN
 HEALTH CARE REFORM ACT RESOURCES FUND
 2005-2006 AND 2006-2007
 (millions of dollars)

	<u>2005-2006</u> <u>Actuals⁽¹⁾</u>	<u>2006-2007</u> <u>Enacted</u>	<u>Annual</u> <u>Change</u>
Opening fund balance	<u>412</u>	<u>1,600</u>	<u>1,188</u>
Receipts:			
Cigarette taxes	571	563	(8)
Miscellaneous receipts	<u>5,443</u>	<u>3,867</u>	<u>(1,576)</u>
Total receipts	<u>6,014</u>	<u>4,430</u>	<u>(1,584)</u>
Disbursements:			
Medical Assistance Account	1,985	2,144	159
HCRA Program Account	869	1,135	266
Hospital Indigent Care Fund	819	841	22
Elderly Pharmaceutical Insurance Coverage (EPIC)	541	582	41
Child Health Plus (CHP)	345	365	20
Public Health	129	156	27
Mental Health	86	92	6
All Other	<u>52</u>	<u>115</u>	<u>63</u>
Total disbursements	<u>4,826</u>	<u>5,430</u>	<u>604</u>
Change in fund balance	<u>1,188</u>	<u>(1,000)</u>	<u>(2,188)</u>
Closing fund balance	<u>1,600</u>	<u>600</u>	<u>(1,000)</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

**CASH FINANCIAL PLAN
HEALTH CARE REFORM ACT RESOURCES FUND
2006-2007 THROUGH 2008-2009
(millions of dollars)**

	2006-2007 Recommended	2007-2008 Estimated	2008-2009 Estimated
Opening fund balance	<u>1,600</u>	<u>600</u>	<u>(123)</u>
Receipts:			
Cigarette taxes	563	578	570
Miscellaneous receipts	<u>3,867</u>	<u>3,991</u>	<u>3,879</u>
Total receipts	<u>4,430</u>	<u>4,569</u>	<u>4,449</u>
Disbursements:			
Medical Assistance Account	2,144	1,882	1,862
HCRA Program Account	1,135	1,100	1,106
Hospital Indigent Care Fund	841	841	841
Elderly Pharmaceutical Insurance Coverage (EPIC)	582	626	626
Child Health Plus (CHP)	365	384	384
Public Health	156	137	137
Mental Health	92	92	92
All Other	<u>115</u>	<u>230</u>	<u>282</u>
Total disbursements	<u>5,430</u>	<u>5,292</u>	<u>5,330</u>
Change in fund balance	<u>(1,000)</u>	<u>(723)</u>	<u>(881)</u>
Closing fund balance	<u>600</u>	<u>(123)</u>	<u>(1,004)</u>

Note: The current HCRA authorization expires on June 30, 2007.

2006-07 Enacted Budget

**CASH FLOW
HEALTH CARE REFORM ACT RESOURCES FUND
2006-2007
(millions of dollars)**

	First Quarter (Projected)	Second Quarter (Projected)	Third Quarter (Projected)	Fourth Quarter (Projected)	Total (Projected)
Opening fund balance	<u>1,600</u>	<u>1,854</u>	<u>1,326</u>	<u>545</u>	<u>1,600</u>
Receipts:					
Cigarette Taxes	148	138	139	138	563
Miscellaneous Receipts	<u>469</u>	<u>806</u>	<u>813</u>	<u>1,779</u>	<u>3,867</u>
Total receipts	<u>617</u>	<u>944</u>	<u>952</u>	<u>1,917</u>	<u>4,430</u>
Disbursements:					
Medical Assistance Account	6	511	922	705	2,144
HCRA Program Account	162	233	261	479	1,135
Hospital Indigent Care Fund	96	230	285	230	841
Elderly Pharmaceutical Insurance Coverage (EPIC)	0	304	101	177	582
Child Health Plus (CHP)	59	115	91	100	365
Public Health	21	38	47	50	156
Mental Health	9	28	15	40	92
All Other	<u>10</u>	<u>13</u>	<u>11</u>	<u>81</u>	<u>115</u>
Total disbursements	<u>363</u>	<u>1,472</u>	<u>1,733</u>	<u>1,862</u>	<u>5,430</u>
Change in fund balance	<u>254</u>	<u>(528)</u>	<u>(781)</u>	<u>55</u>	<u>(1,000)</u>
Closing fund balance	<u>1,854</u>	<u>1,326</u>	<u>545</u>	<u>600</u>	<u>600</u>

2006-07 Enacted Budget

**GAAP FINANCIAL PLAN
GENERAL FUND
2005-2006 and 2006-2007
(millions of dollars)**

	<u>2005-2006 Actuals⁽¹⁾</u>	<u>2006-2007 Enacted</u>	<u>Change</u>
Revenues:			
Taxes:			
Personal income tax	22,128	21,736	(392)
User taxes and fees	8,670	8,340	(330)
Business taxes	5,322	5,414	92
Other taxes	740	928	188
Miscellaneous revenues	3,984	4,753	769
Federal grants	11	9	(2)
Total revenues	<u>40,855</u>	<u>41,180</u>	<u>325</u>
Expenditures:			
Grants to local governments	34,556	38,954	4,398
State operations	10,771	11,495	724
General State charges	3,428	3,669	241
Debt service	25	27	2
Capital projects	0	0	0
Total expenditures	<u>48,780</u>	<u>54,145</u>	<u>5,365</u>
Other financing sources (uses):			
Transfers from other funds	13,680	13,876	196
Transfers to other funds	(4,674)	(5,444)	(770)
Proceeds from financing arrangements/ advance refundings	783	3,004	2,221
Net other financing sources (uses)	<u>9,789</u>	<u>11,436</u>	<u>1,647</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>1,864</u>	<u>(1,529)</u>	<u>(3,393)</u>
Accumulated Surplus/(Deficit)	<u>2,410</u>	<u>881</u>	<u>(1,529)</u>

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

GAAP FINANCIAL PLAN
GENERAL FUND
2006-2007
(millions of dollars)

	<u>30-Day</u>	<u>Change</u>	<u>Enacted</u>
Revenues:			
Taxes:			
Personal income tax	21,277	459	21,736
User taxes and fees	8,816	(476)	8,340
Business taxes	5,110	304	5,414
Other taxes	932	(4)	928
Miscellaneous revenues	4,338	415	4,753
Federal grants	14	(5)	9
Total revenues	<u>40,487</u>	<u>693</u>	<u>41,180</u>
Expenditures:			
Grants to local governments	36,369	2,585	38,954
State operations	11,132	363	11,495
General State charges	3,721	(52)	3,669
Debt service	26	1	27
Capital projects	1	(1)	0
Total expenditures	<u>51,249</u>	<u>2,896</u>	<u>54,145</u>
Other financing sources (uses):			
Transfers from other funds	13,640	236	13,876
Transfers to other funds	(5,192)	(252)	(5,444)
Proceeds from financing arrangements/ advance refundings	1,145	1,859	3,004
Net other financing sources (uses)	<u>9,593</u>	<u>1,843</u>	<u>11,436</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,169)</u>	<u>(360)</u>	<u>(1,529)</u>
Accumulated Surplus/(Deficit)	<u>832</u>		<u>881</u>

2006-07 Enacted Budget

**GAAP FINANCIAL PLAN
GENERAL FUND
2006-2007 THROUGH 2008-2009
(millions of dollars)**

	<u>2006-2007 Recommended</u>	<u>2007-2008 Projected</u>	<u>2008-2009 Projected</u>
Revenues:			
Taxes:			
Personal income tax	21,736	24,094	25,841
User taxes and fees	8,340	8,684	8,986
Business taxes	5,414	5,373	5,493
Other taxes	928	967	1,030
Miscellaneous revenues	4,753	3,988	3,744
Federal grants	9	9	10
Total revenues	<u>41,180</u>	<u>43,115</u>	<u>45,104</u>
Expenditures:			
Grants to local governments	38,954	40,841	42,803
State operations	11,495	12,034	12,292
General State charges	3,669	4,007	4,258
Debt service	27	26	27
Capital projects	0	0	1
Total expenditures	<u>54,145</u>	<u>56,908</u>	<u>59,381</u>
Other financing sources (uses):			
Transfers from other funds	13,876	13,685	14,121
Transfers to other funds	(5,444)	(6,127)	(6,123)
Proceeds from financing arrangements/ advance refundings	3,004	2,057	1,153
Net other financing sources (uses)	<u>11,436</u>	<u>9,615</u>	<u>9,151</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(1,529)</u>	<u>(4,178)</u>	<u>(5,126)</u>

2006-07 Enacted Budget

GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2006-2007
(millions of dollars)

	General Fund	Special Revenue Funds	Capital Projects Funds	Debt Service Funds	(MEMO) Total
Revenues:					
Taxes	36,418	6,251	2,066	10,937	55,672
Patient fees	0	0	0	326	326
Miscellaneous revenues	4,753	4,576	284	22	9,635
Federal grants	9	34,865	1,731	0	36,605
Total revenues	<u>41,180</u>	<u>45,692</u>	<u>4,081</u>	<u>11,285</u>	<u>102,238</u>
Expenditures:					
Grants to local governments	38,954	41,467	1,096	0	81,517
State operations	11,495	1,793	0	65	13,353
General State charges	3,669	287	0	0	3,956
Debt service	27	0	0	3,241	3,268
Capital projects	0	2	4,316	0	4,318
Total expenditures	<u>54,145</u>	<u>43,549</u>	<u>5,412</u>	<u>3,306</u>	<u>106,412</u>
Other financing sources (uses):					
Transfers from other funds	13,876	277	317	5,407	19,877
Transfers to other funds	(5,444)	(3,339)	(859)	(13,374)	(23,016)
Proceeds of general obligation bonds	0	0	236	0	236
Proceeds from financing arrangements/ advance refundings	3,004	0	1,892	0	4,896
Net other financing sources (uses)	<u>11,436</u>	<u>(3,062)</u>	<u>1,586</u>	<u>(7,967)</u>	<u>1,993</u>
(Excess) deficiency of revenues and other financing sources over expenditures and other financing uses	<u>(1,529)</u>	<u>(919)</u>	<u>255</u>	<u>12</u>	<u>(2,181)</u>

2006-07 Enacted Budget

**GAAP FINANCIAL PLAN
ALL GOVERNMENTAL FUNDS
2006-2007
(millions of dollars)**

	Major Funds			Eliminations	Total
	General Fund	Federal Special Revenue	Other Governmental Funds		
Revenues:					
Taxes:					
Personal income tax	21,736	0	11,086	0	32,822
User taxes and fees	8,340	0	5,360	0	13,700
Business taxes	5,414	0	2,008	0	7,422
Other taxes	928	0	800	0	1,728
Patient fees	0	0	326	0	326
Miscellaneous receipts	4,753	133	4,749	0	9,635
Federal grants	9	34,865	1,731	0	36,605
Total revenues	<u>41,180</u>	<u>34,998</u>	<u>26,060</u>	<u>0</u>	<u>102,238</u>
Expenditures:					
Grants to local governments	38,954	30,323	12,240	0	81,517
State operations	11,495	1,224	634	0	13,353
General State charges	3,669	210	77	0	3,956
Debt service	27	0	3,241	0	3,268
Capital projects	0	1	4,317	0	4,318
Total expenditures	<u>54,145</u>	<u>31,758</u>	<u>20,509</u>	<u>0</u>	<u>106,412</u>
Other financing sources (uses):					
Transfers from other funds	13,876	0	6,001	(18,982)	895
Transfers to other funds	(5,444)	(3,240)	(14,332)	18,982	(4,034)
Proceeds of General obligation bonds	0	0	236	0	236
Proceeds from financing arrangements/ advance refundings	3,004	0	1,892	0	4,896
Net other financing sources (uses)	<u>11,436</u>	<u>(3,240)</u>	<u>(6,203)</u>	<u>0</u>	<u>1,993</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses					
	<u>(1,529)</u>	<u>0</u>	<u>(652)</u>	<u>0</u>	<u>(2,181)</u>

GAAP COMBINING STATEMENT
GENERAL FUND
2005-2006
(millions of dollars)

	001	003	004	007	013	017	323	325	326	331	334
Receipts:											
Personal income tax	0	20,087	0	0	0	2,041	0	0	0	0	0
User taxes and fees	0	8,670	0	0	0	0	0	0	0	0	0
Business taxes	0	5,322	0	0	0	0	0	0	0	0	0
Other taxes	0	740	0	0	0	0	0	0	0	0	0
Miscellaneous receipts	0	1,363	0	0	0	0	181	12	33	5	263
Federal grants	0	11	0	0	0	0	0	0	0	0	0
Total receipts	0	36,193	0	0	0	2,041	181	12	33	5	263
Disbursements:											
Grants to local governments	32,222	0	0	174	0	0	0	0	0	0	0
State operations	0	7,675	0	0	2	0	135	12	33	3	301
General State charges	0	3,104	0	0	0	0	13	0	0	0	18
Debt service	0	25	0	0	0	0	0	0	0	0	0
Capital projects	0	0	0	0	0	0	0	0	0	0	0
Total disbursements	32,222	10,804	0	174	2	0	148	12	33	3	319
Other financing sources (uses):											
Transfers from other funds	170	10,075	73	100	2	0	0	0	0	0	80
Transfers to other funds	(820)	(3,978)	0	(1)	0	0	(37)	0	0	0	(2)
Proceeds from financing arrangements/advance refundings	783	0	0	0	0	0	0	0	0	0	0
Net other financing sources (uses)	133	6,097	73	99	2	0	(37)	0	0	0	78
Surplus/(Deficit)	(32,089)	31,486	73	(75)	0	2,041	(4)	0	0	2	22

2006-07 Enacted Budget

GAAP COMBINING STATEMENT
GENERAL FUND
2005-2006
(millions of dollars)

	339	343	351	352	353	394	395	396	397	450	Eliminations	Total
Receipts:												
Personal income tax	0	0	0	0	0	0	0	0	0	0	0	22,128
User taxes and fees	0	0	0	0	0	0	0	0	0	0	0	8,670
Business taxes	0	0	0	0	0	0	0	0	0	0	0	5,322
Other taxes	0	0	0	0	0	0	0	0	0	0	0	740
Miscellaneous receipts	2,559	2	2	1	2	2	2	8	52	5	(508)	3,984
Federal grants	0	0	0	0	0	0	0	0	0	0	0	11
Total receipts	2,559	2	2	1	2	2	2	8	52	5	(508)	40,855
Disbursements:												
Grants to local governments	2,160	0	0	0	0	0	0	0	0	0	0	34,556
State operations	3,032	1	2	1	2	2	1	13	60	4	(508)	10,771
General State charges	277	0	0	0	0	0	0	5	10	1	0	3,428
Debt service	0	0	0	0	0	0	0	0	0	0	0	25
Capital projects	0	0	0	0	0	0	0	0	0	0	0	0
Total disbursements	5,469	1	2	1	2	2	1	18	70	5	(508)	48,780
Other financing sources (uses):												
Transfers from other funds	3,486	0	0	0	0	0	0	7	14	0	(327)	13,680
Transfers to other funds	(163)	0	0	0	0	0	0	0	0	0	327	(4,674)
Proceeds from financing arrangements/advance refundings	0	0	0	0	0	0	0	0	0	0	0	783
Net other financing sources (uses)	3,323	0	0	0	0	0	0	7	14	0	0	9,789
Surplus/(Deficit)	413	1	0	0	0	0	1	(6)	(4)	0	0	1,864

GAAP COMBINING STATEMENT
GENERAL FUND
2006-2007
(millions of dollars)

	001	003	004	007	013	323	325	326	331	334
Receipts:										
Personal income tax	0	21,736	0	0	0	0	0	0	0	0
User taxes and fees	0	8,340	0	0	0	0	0	0	0	0
Business taxes	0	5,414	0	0	0	0	0	0	0	0
Other taxes	0	928	0	0	0	0	0	0	0	0
Miscellaneous receipts	0	2,007	0	0	0	337	10	34	4	287
Federal grants	0	9	0	0	0	0	0	0	0	0
Total receipts	0	38,434	0	0	0	337	10	34	4	287
Disbursements:										
Grants to local governments	36,651	0	0	150	0	0	0	0	0	0
State operations	0	8,306	0	0	2	232	10	34	4	381
General State charges	0	3,304	0	0	0	16	0	0	1	21
Debt service	0	26	0	0	0	0	0	0	0	0
Capital projects	0	0	0	0	0	0	0	0	0	0
Total disbursements	36,651	11,636	0	150	2	248	10	34	5	402
Other financing sources (uses):										
Transfers from other funds	0	10,948	0	175	2	0	0	0	0	131
Transfers to other funds	(1,204)	(4,262)	0	0	0	(85)	0	0	0	(1)
Proceeds from financing arrangements/advance refundings	3,004	0	0	0	0	0	0	0	0	0
Net other financing sources (uses)	1,800	6,686	0	175	2	(85)	0	0	0	130
Surplus/(Deficit)	(34,851)	33,484	0	25	0	4	0	0	(1)	15

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**GAAP COMBINING STATEMENT
GENERAL FUND
2006-2007
(millions of dollars)**

	339	343	351	352	353	394	395	396	397	450	Eliminations	Total
Receipts:												
Personal income tax	0	0	0	0	0	0	0	0	0	0	0	21,736
User taxes and fees	0	0	0	0	0	0	0	0	0	0	0	8,340
Business taxes	0	0	0	0	0	0	0	0	0	0	0	5,414
Other taxes	0	0	0	0	0	0	0	0	0	0	0	928
Miscellaneous receipts	2,685	2	4	1	3	3	1	11	50	4	(890)	4,753
Federal grants	0	0	0	0	0	0	0	0	0	0	0	9
Total receipts	2,685	2	4	1	3	3	1	11	50	4	(890)	41,180
Disbursements:												
Grants to local governments	2,153	0	0	0	0	0	0	0	0	0	0	38,954
State operations	3,115	2	4	1	3	2	1	17	67	4	(890)	11,495
General State charges	308	1	0	0	0	1	0	5	11	1	0	3,669
Debt service	0	0	0	0	0	0	0	0	0	0	0	26
Capital projects	1	0	0	0	0	0	0	0	0	0	0	1
Total disbursements	5,577	3	4	1	3	3	1	22	78	5	(890)	54,145
Other financing sources (uses):												
Transfers from other funds	3,055	0	0	0	0	0	0	7	14	0	(456)	13,876
Transfers from other funds	(348)	0	0	0	0	0	0	0	0	0	456	(5,444)
Proceeds from financing arrangements/advance refundings	0	0	0	0	0	0	0	0	0	0	0	3,004
Net other financing sources (uses)	2,707	0	0	0	0	0	0	7	14	0	0	11,436
Surplus/(Deficit)	(185)	(1)	0	0	0	0	0	(4)	(14)	(1)	0	(1,529)

CASH TO GAAP CONVERSION TABLE
 GENERAL FUND
 2005-2006⁽¹⁾
 (millions of dollars)

	Cash Financial Plan	Perspective Difference	Entity Difference		Cash Basis Subtotal	Changes in Accruals	Eliminations	Intrafund Eliminations	Reclassification	GAAP Financial Plan
			Special Revenue Funds	Other Funds						
Receipts/Revenues:										
Taxes:										
Personal income tax	22,028	0	0	0	22,028	100	0	0	0	22,128
User taxes and fees	8,639	0	0	0	8,639	31	0	0	0	8,670
Business taxes	5,084	0	0	0	5,084	238	0	0	0	5,322
Other taxes	881	8	0	0	889	(149)	0	0	0	740
Miscellaneous receipts	2,018	2,572	569	0	5,159	(36)	(84)	(608)	(547)	3,984
Federal Grants	11	0	0	0	11	0	0	0	0	11
Total receipts/revenues	38,661	2,580	569	0	41,810	184	(84)	(608)	(547)	40,855
Disbursements/Expenditures:										
Grants to local governments	31,287	2,160	0	0	33,447	1,154	0	0	(45)	34,556
State operations	8,160	3,250	571	0	11,981	258	(268)	(508)	(692)	10,771
General State charges	3,975	278	49	0	4,302	135	(26)	0	(983)	3,428
Debt service	0	0	3	0	3	25	0	0	(3)	25
Capital projects	0	0	0	0	0	0	0	0	0	0
Total disbursements/expenditures	43,422	5,688	623	0	49,733	1,572	(294)	(608)	(1,723)	48,780
Other financing sources (uses):										
Transfers from other funds	9,873	3,697	102	0	13,672	0	(212)	(327)	547	13,680
Transfers to other funds	(3,073)	(165)	(37)	0	(3,275)	(5)	2	327	(1,723)	(4,674)
Proceeds from financing arrangements/advance refundings	0	0	0	0	0	783	0	0	0	783
Net other financing sources (uses)	6,800	3,532	65	0	10,397	778	(210)	0	(1,176)	9,789
(Increase)/decrease in reserves	2	0	0	0	2	(2)	0	0	0	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	2,041	424	11	0	2,476	(612)	0	0	0	1,864

⁽¹⁾ Unaudited results.

2006-07 Enacted Budget

CASH TO GAAP CONVERSION TABLE
GENERAL FUND
2006-07
(millions of dollars)

	Cash Financial Plan	Perspective Difference Special Revenue Funds	Entity Difference Other Funds	Cash Basis Subtotal	Changes in Accruals	Eliminations	Intrafund Eliminations	Reclassification	GAAP Financial Plan
Receipts/Revenues:									
Taxes:									
Personal income tax	23,137	0	0	23,137	(1,401)	0	0	0	21,736
User taxes and fees	8,323	0	0	8,323	17	0	0	0	8,340
Business taxes	5,303	0	0	5,303	111	0	0	0	5,414
Other taxes	896	0	0	896	32	0	0	0	928
Miscellaneous receipts	2,846	2,701	752	6,299	9	(86)	(690)	(779)	4,753
Federal Grants	9	0	0	9	0	0	0	0	9
Total receipts/revenues	40,514	2,701	752	43,967	(1,232)	(86)	(690)	(779)	41,180
Disbursements/expenditures:									
Grants to local governments	34,210	2,153	0	36,363	3,310	0	0	(719)	38,954
State operations	9,455	3,343	761	13,559	(197)	(276)	(690)	(901)	11,495
General State charges	4,413	312	57	4,782	(11)	(26)	0	(1,076)	3,669
Debt service	0	0	21	21	0	0	0	(21)	0
Capital projects	0	1	0	1	26	0	0	0	27
Total disbursements/expenditures	48,078	5,809	839	54,726	3,128	(302)	(690)	(2,717)	54,145
Other financing sources (uses):									
Transfers from other funds	10,346	3,274	152	13,772	0	(219)	(456)	779	13,876
Transfers to other funds	(2,765)	(351)	(65)	(3,181)	(5)	3	456	(2,717)	(5,444)
Proceeds from financing arrangements/advance refundings	0	0	0	0	3,004	0	0	0	3,004
Net other financing sources (uses)	7,581	2,923	87	10,591	2,999	(216)	0	(1,938)	11,436
(Increase)/decrease in reserves	(275)	0	0	(275)	275	0	0	0	0
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(258)	(185)	0	(443)	(1,086)	0	0	0	(1,529)

CASH TO GAAP CONVERSION TABLE
SPECIAL REVENUE FUNDS
2006-2007
(millions of dollars)

	Cash Financial Plan	CUNY (Fund 377)	SUNY (Fund 345)	MSSRF (Fund 339)	Correctional Service (Fund 329)	Lottery (Fund 160)	Food Stamps	Reclass SUNY	Interfund Activity	System/Manual Accruals	GAAP Financial Plan
Receipts:											
Taxes	6,249	0	0	0	0	0	0	0	0	2	6,251
Miscellaneous receipts	12,575	(120)	(2,672)	(2,701)	16	(2,534)	0	0	0	12	4,576
Federal grants	33,867	0	0	0	0	0	2,118	(173)	0	(947)	34,865
Total receipts	52,691	(120)	(2,672)	(2,701)	16	(2,534)	2,118	(173)	0	(933)	45,692
Disbursements:											
Grants to local governments	45,054	0	0	(2,153)	0	(2,628)	2,118	0	0	(924)	41,467
State operations	8,365	(120)	(2,794)	(3,343)	16	(201)	0	(173)	0	43	1,793
General State charges	864	0	(223)	(312)	0	(12)	0	0	0	(30)	287
Capital projects	3	0	0	(1)	0	0	0	0	0	0	2
Total disbursements	54,286	(120)	(3,017)	(5,809)	16	(2,841)	2,118	(173)	0	(911)	43,549
Other financing sources (uses):											
Transfers from other funds	4,050	0	(411)	(3,274)	0	(100)	0	0	12	0	277
Transfers to other funds	(3,737)	0	60	350	0	0	0	0	(12)	0	(3,339)
Net other financing sources (uses)	313	0	(351)	(2,924)	0	(100)	0	0	0	0	(3,062)
Surplus/(Deficit)	(1,282)	0	(6)	184	0	207	0	0	0	(22)	(919)

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CASH TO GAAP CONVERSION TABLE
CAPITAL PROJECTS FUNDS
2006-2007
(millions of dollars)

	Cash Financial Plan	SUNY Rehab (Fund 074)	SUNY CAPITAL (Fund 384)	SUNY/CUNY (Fund 002)	Appropriated Loans	COPS	Reclass Proceeds	System Accruals	GAAP Financial Plan
Receipts:									
Taxes	2,065	0	0	0	0	0	0	1	2,066
Miscellaneous receipts	2,580	0	(12)	(476)	(33)	0	(1,775)	0	284
Federal grants	1,731	0	0	0	0	0	0	0	1,731
Total receipts	6,376	0	(12)	(476)	(33)	0	(1,775)	1	4,081
Disbursements:									
Grants to local governments	1,106	0	0	(9)	0	0	0	(1)	1,096
Capital projects	4,842	(24)	(12)	(482)	(33)	31	0	(6)	4,316
Total disbursements	5,948	(24)	(12)	(491)	(33)	31	0	(7)	5,412
Other financing sources (uses):									
Transfers from other funds	341	(24)	0	0	0	0	0	0	317
Transfers to other funds	(844)	0	0	(15)	0	0	0	0	(859)
Proceeds of GO bonds	236	0	0	0	0	0	0	0	236
Proceeds from financings arrangements/advance refundings	0	0	0	0	0	117	1,775	0	1,892
Net other financing sources (uses)	(267)	(24)	0	(15)	0	117	1,775	0	1,586
Surplus/(Deficit)	161	0	0	0	0	86	0	8	255

CASH TO GAAP CONVERSION TABLE
DEBT SERVICE FUNDS
2006-2007
(millions of dollars)

	Cash Financial Plan	SUNY DORMS (Fund 330)	LGAC	COPS	Reclass Patient Fees	Reclass SUNY/CUNY DS	System Accruals	GAAP Financial Plan
Receipts:								
Taxes	10,932	0	0	0	0	0	5	10,937
Patient Fees	0	0	0	0	326	0	0	326
Miscellaneous Receipts	665	(317)	0	0	(326)	0	0	22
Total receipts	<u>11,597</u>	<u>(317)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>11,285</u>
Disbursements:								
State operations	65	0	0	0	0	0	0	65
Debt service	4,086	(57)	0	21	0	(809)	0	3,241
Total disbursements	<u>4,151</u>	<u>(57)</u>	<u>0</u>	<u>21</u>	<u>0</u>	<u>(809)</u>	<u>0</u>	<u>3,306</u>
Other financing sources (uses):								
Transfers from other funds	5,386	0	0	21	0	0	0	5,407
Transfers to other funds	(12,808)	243	0	0	0	(809)	0	(13,374)
Net other financing sources (uses)	<u>(7,422)</u>	<u>243</u>	<u>0</u>	<u>21</u>	<u>0</u>	<u>(809)</u>	<u>0</u>	<u>(7,967)</u>
Surplus/(Deficit)	<u>24</u>	<u>(17)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>5</u>	<u>12</u>

2006-07 Enacted Budget

**WORKFORCE SUMMARY REPORT
GENERAL FUND
2004-05 THROUGH 2006-07**

Major Agencies	2004-05 Actual (3/31/2005)	2005-06 Actual (3/31/2006)	2006-07 Estimate (3/31/2007)
Audit and Control	1,388	1,541	1,572
Children and Family Services	3,139	3,140	3,241
Correctional Services	30,428	31,136	30,128
Education	385	376	373
Environmental Conservation	1,154	1,172	1,233
General Services	1,044	1,070	1,093
Health	2,099	2,042	2,004
Labor	11	12	16
Law	1,171	1,183	1,220
Mental Health	16,038	16,113	16,641
Mental Health Memo (1)	16,038	16,113	16,742
Mental Retardation	21,520	21,820	22,067
Mental Retardation Memo (1)	21,520	21,820	23,267
Parks, Recreation and Historic Preservation	1,341	1,323	1,323
Parole	2,011	2,047	2,079
State Police	5,088	5,128	5,311
Taxation and Finance	4,720	4,721	4,377
Temporary and Disability Assistance	463	463	460
SUBTOTAL - Major Agencies	92,000	93,287	93,138
All Other Agencies (Minor)	4,708	4,764	5,201
Adjustments			
Hiring Freeze / Consolidation of Administrative Functions and Efficiencies	0	0	(1,198)
TOTAL	96,708	98,051	97,141
Universities and Off-Budget Agencies			
State University of New York	22,650	23,148	23,300
GRAND TOTAL	119,358	121,199	120,441

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines

2006-07 Enacted Budget

**WORKFORCE SUMMARY REPORT
GENERAL FUND
2004-05 THROUGH 2006-07**

Minor Agencies	2004-05 Actual (3/31/2005)	2005-2006 Actual (3/31/2006)	2006-07 Estimate (3/31/2007)
Adirondack Park Agency	63	67	59
Advocate for Disabled	9	0	0
Aging	27	27	30
Agriculture and Markets	366	411	411
Alcoholism and Substance Abuse	821	836	855
Arts Council	41	45	49
Budget	317	319	297
Capital Defender	57	7	7
Civil Service	333	324	341
Consumer Protection	8	0	0
Correction Commission	32	34	35
Crime Victims	61	61	70
Criminal Justice Service	556	528	553
Economic Development	202	195	206
Elections	38	49	53
Employee Relations	40	45	45
Executive Chamber	145	143	153
Homeland Security	26	39	77
Housing and Community Renewal	377	372	373
Hudson River Park Trust	4	4	5
Human Rights	179	182	166
Inspector General	50	59	50
Judicial Commissions	28	26	28
Labor Management Committees	52	57	53
Lieutenant Governor	4	3	5
Medicaid Inspector General	0	0	280
Military and Naval Affairs	230	226	250
Northeastern Queens Nature and Historical	2	2	2
NYSTAR	29	30	30
Prevention of Domestic Violence	28	28	33
Probation and Correctional Alternatives	26	26	24
Public Employment Relations Board	32	33	37
Quality of Care and Advocacy for Disabled	32	41	46
Real Property Services, Office of	14	0	0
Regulatory Reform	36	37	36
State	170	202	204
Tax Appeals	30	33	33
Technology	92	109	135
TSC Investigation	30	31	32
TSC Lobbying	18	27	28
Veterans Affairs	93	96	100
Welfare Inspector General, Office of	10	10	10
SUBTOTAL - Minor Agencies	4,708	4,764	5,201

2006-07 Enacted Budget

WORKFORCE SUMMARY REPORT ALL FUNDS 2004-05 THROUGH 2006-07

Major Agencies	2004-05 Actual (3/31/2005)	2005-2006 Actual (3/31/2006)	2006-07 Estimate (3/31/2007)
Audit and Control	2,214	2,399	2,463
Children and Family Services	3,730	3,714	3,885
Correctional Services	31,101	31,768	31,368
Education	2,988	3,013	3,077
Environmental Conservation	3,261	3,345	3,371
General Services	1,634	1,702	1,751
Health	5,854	5,860	5,891
Labor	4,065	3,632	3,795
Law	1,739	1,759	1,881
Mental Health	16,100	16,180	16,740
Mental Health Memo (1)	16,100	16,180	17,265
Mental Retardation	21,537	21,837	22,085
Mental Retardation Memo (1)	21,537	21,837	23,285
Motor Vehicles	2,694	2,733	2,775
Parks, Recreation and Historic Preservation	1,612	1,599	1,607
Parole	2,011	2,047	2,079
State Police	5,642	5,591	5,927
Taxation and Finance	4,757	4,760	4,766
Temporary and Disability Assistance	2,192	2,349	2,448
Transportation	9,597	9,687	9,948
Workers' Compensation Board	1,523	1,517	1,539
SUBTOTAL - Major Agencies	124,251	125,492	127,396
All Other Agencies (Minor)	11,429	11,486	12,627
Adjustments			
Hiring Freeze / Consolidation of Administrative Functions and Efficiencies	0	0	(3,744)
TOTAL	135,680	136,978	136,279
Universities and Off-Budget Agencies			
City University	10,642	10,751	11,070
Industrial Exhibit Authority	43	43	44
Roswell Park Cancer Institute	1,565	1,627	1,692
State University Construction Fund	98	110	125
State Insurance Fund	2,656	2,687	2,657
State University	38,247	39,195	39,400
GRAND TOTAL	188,931	191,391	191,267

(1) Memo #'s are used to represent each agency's authorized fill, but are not counted in the total lines

2006-07 Enacted Budget

**WORKFORCE SUMMARY REPORT
ALL FUNDS
2004-05 THROUGH 2006-07**

Minor Agencies	2004-05 Actual (3/31/2005)	2005-2006 Actual (3/31/2006)	2006-07 Estimate (3/31/2007)
Adirondack Park	63	67	59
Advocate for Disabled	13	0	0
Aging	119	125	137
Agriculture and Markets	546	565	567
Alcoholic Beverage Control	145	151	156
Alcoholism and Substance Abuse	916	934	963
Arts Council	49	51	55
Banking	550	529	550
Budget	336	360	365
Capital Defender	57	7	7
Civil Service	563	554	572
Consumer Protection	30	31	32
Correction Commission	32	34	35
Crime Victims	95	94	103
Criminal Justice Service	686	646	706
Deferred Compensation	4	4	4
Economic Development	212	204	215
Elections	38	49	62
Employee Relations	73	72	72
Environmental Facilities Corporation	98	103	92
Executive Chamber	145	143	153
Financial Control Board	16	16	17
Higher Education Service	678	662	700
Homeland Security	60	98	147
Housing and Community Renewal	915	919	940
Hudson River Park Trust	4	4	5
Human Rights	179	182	203
Inspector General	60	70	70
Insurance	903	914	935
Interest on Lawyer Account	8	8	9
Judicial Commissions	28	26	28
Labor Management Committees	52	57	53
Lieutenant Governor	4	3	5
Lottery	323	320	350
Medicaid Inspector General	0	0	492
Military and Naval Affairs	526	533	601
Northeastern Queens Nature and Historical	2	2	2
NYSTAR	29	30	30
Prevention of Domestic Violence	28	30	33
Probation and Correctional Alternatives	32	30	28
Public Employment Relations Board	32	33	37
Public Service	530	527	545
Quality of Care and Advocacy for Disabled	84	95	105
Racing and Wagering Board	123	125	135
Real Property Services	386	385	401
Regulatory Reform	36	37	36
State	810	819	870
Tax Appeals	30	33	33
Technology	598	597	679
TSC Investigation	30	31	32
TSC Lobbying	18	30	34
Veterans Affairs	104	107	112
Welfare Inspector General	10	10	10
Wireless Network	21	30	45
Subtotal - Minor Agencies	11,429	11,486	12,627